

***The University of Texas Investment  
Management Company***



***Presentation Materials***

***Board of Directors Meeting***

***May 19, 2005***

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
May 19, 2005**

Hotel Crescent Court  
400 Crescent Court  
Dallas, Texas

Time		Item #	Agenda Item
Begin	End		
			<b>Open Session:</b>
9:00 a.m.	9:05 a.m.	1	Call to Order/Consideration of Minutes of March 31, 2005 Meeting*
9:05 a.m.	9:30 a.m.	2	Report from Audit and Ethics Committee: - Consideration of Audit and Ethics Committee Report*
9:30 a.m.	9:40 a.m.	3	Corporate Resolutions: - Appointment of UTIMCO Officers* - Designation of Key Employees*
9:40 a.m.	9:50 a.m.	4	Annual Report on External Consultant - Consideration of Contract*
9:50 a.m.	10:00 a.m.	5	Annual Report on External Counsel
10:00 a.m.	10:20 a.m.	6	Endowment and Operating Funds Update: - Asset Allocation, Risk and Performance - Liquidity Profile - Report of Derivative Applications - Report on Existing Contracts and Other Commercial Arrangements
10:20 a.m.	10:30 a.m.		Break
10:30 a.m.	11:00 a.m.	7	Discussion and Consideration of Changes to Charter of the Liquidity Committee*
11:00 a.m.	12:00 p.m.	8	Discussion of Asset Allocation Policy
12:00 p.m.	1:00 p.m.		<b>Lunch</b>
1:00 p.m.	1:10 p.m.		Report from Compensation Committee: <b>Executive Session:</b> Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in executive session to consider personnel compensation matters. <b>Reconvene into Open Session</b> Consideration of Compensation Committee Report*
1:10 p.m.	3:00 p.m.	8	Discussion and Consideration of Asset Allocation Policy*, **
3:00 p.m.			Adjournment

\* Action by resolution required

\*\*Resolution requires further approval from the U. T. System Board of Regents

<b>Next Scheduled Meeting: July 21, 2005</b>
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TAB 1

**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **March 31, 2005**, be, and is hereby, approved.

**MINUTES OF THE MEETING OF  
THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 9:35 a.m. on the **31<sup>st</sup> day of March 2005**, at the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

Woody L. Hunt, Chairman  
H. Scott Caven, Jr.  
J. Philip Ferguson  
Charles W. Tate  
Mark G. Yudof

thus, constituting a majority and quorum of the Board. Director Clint D. Carlson joined the meeting at the point indicated below. Directors Erle Nye and Robert B. Rowling were not present at the meeting. Also, attending the meeting were Mr. R. D. Burck, Advisory Director; Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; several staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Scott Kelley, Philip Aldridge, Cathy Swain, Michael Warden and Amy Barrett of U. T. System Administration; Keith Brown of the McCombs School of Business at UT Austin; Greg Anderson of The Texas A&M University System ; Bruce Myers and Hamilton Lee of Cambridge Associates; and Steven Voss and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 9:35 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

**Minutes**

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on March 4, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on  
March 4, 2005, be, and are hereby, approved.

## **Asset Allocation, Risk and Performance**

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation, risk and performance. Mr. Boldt began by discussing the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing relative risk analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for the periods ended February 28, 2005. The latest performance information was also presented. The net performance for the one-month period ended February 28, 2005, for the PUF and the GEF were both 3.13%, versus benchmark returns of 1.69% for each fund. The net performance for the one-year period ended February 28, 2005, for the PUF and GEF were 11.67% and 11.72%, respectively, versus benchmark returns of 10.62% for each fund. The Short Intermediate Term Fund's (SITF) performance was -0.06% versus benchmark return of -0.23% for the one-month period, and was 1.14% versus benchmark return of -0.02% for the one-year period ended February 28, 2005. Performance for the Short Term Fund (STF) was 0.18% versus 0.16% for its benchmark for the one-month period, and was 1.52% versus benchmark return of 1.51% for the one-year period ended February 28, 2005. Also presented was a performance attribution, manager history performance summary, statistics on liquidity, and total derivatives by type and application. Mr. Boldt and Mr. Myers answered the Directors' questions. Mr. Boldt asked Mr. Goldsmith to give the Board a short presentation on derivatives positioning and implementation overview. He then gave an update on the recently implemented put-spread collar to protect the U.S. equity portfolio. Mr. Boldt and Mr. Goldsmith answered the Directors' questions.

## **Risk Presentation**

The next item on the agenda was a presentation on Risk Management. Mr. Boldt stated that the next two agenda items, risk and asset allocation review, would be presented in a workshop setting, encouraging participation from Directors and Staff. Mr. Boldt and Ms. Reed gave a standard view of risk, explaining the measures and mathematics, and then a description of the Corporation's risk model. At this point, Director Carlson joined the meeting. Mr. Boldt, Ms. Reed and Ms. Iberg answered the Directors' questions.

## **Asset Allocation Review**

Mr. Hunt asked Mr. Boldt to continue with the Asset Allocation Review. Mr. Boldt began with a review of the objectives, time frame and an overview of the asset allocation review process. He presented issues to address and consider in the asset allocation review.

The meeting was recessed at 12:30 p.m.

The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:20 p.m.

Mr. Boldt continued with the Asset Allocation Review providing expert opinions and staff recommended return and risk assumptions; and leading discussions on potential value-added (PVA), constraints, and decision factors relating to the asset allocation review process. Mr. Boldt, Mr. Myers and Mr. Sebastian answered the Directors' questions. Prior to the next meeting, Mr. Boldt will provide further information, including suggestions provided by the Directors, regarding the review of asset allocation and the decision factor process.

The Annual Report on the External Investment Consultant and the Annual Report on External Counsel was deferred until the next meeting. Chancellor Yudof requested a more detailed reporting format in the future.

### **Annual Meeting**

Mr. Hunt announced that the Annual Meeting of the Board will be held in Dallas, Texas on May 19, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Annual Meeting of the Board of Directors will be held on May 19, 2005, in Dallas, Texas.

### **PUF Distribution Amount and PHF and LTF Payout Rates**

Mr. Hunt asked Mr. Boldt to present to the Board the Staff's recommendations of the Permanent University Fund distribution amount and the Permanent Health Fund and the Long Term Fund distribution rates for the fiscal year ending August 31, 2006. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$341,174,270 to \$357,337,255, for fiscal year 2006, effective with the September 1, 2005 distribution, and the distribution rate for the Permanent Health Fund be increased from \$.047 per unit to \$.0482 per unit for fiscal year 2006, and the Long Term Fund be increased from \$0.2697 per unit to \$0.2764 per unit, effective with the November 30, 2005, distributions.

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Long Term Fund and Permanent Health Fund be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

### **Executive Session**

Mr. Hunt, at 3:04 p.m., announced that, "the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Board, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 3:04 p.m."

In Executive Session, the Board discussed matters regarding personnel compensation matters. No action was taken and no vote was called for or taken by the Board.

### **Reconvene in Open Session**

The Board reconvened at 3:35 p.m. in open session and Mr. Hunt announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 3:35 p.m. During the Executive Session, the Board discussed matters regarding personnel compensation matters, but did not take any votes." Chancellor Yudof left the meeting at this time.

### **UTIMCO Peer Group**

Mr. Hunt called for a report of the Compensation Committee. Mr. Ferguson, Chair of the Compensation Committee reported that the Compensation Committee met on February 16, 2005. Mr. Ferguson explained that the Peer Group is a peer group of endowment funds maintained by the Board's external investment consultant that is composed of all endowment funds with assets greater than \$1 billion at the beginning of each Performance Period (2002, 2003, and 2004) and is set forth as an appendix to the UTIMCO Compensation Program. (Harvard University, Yale University and Total Endowment Assets (PUF and GEF) are excluded from this peer group). Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Peer Group - Appendix B of the UTIMCO Compensation Program, for the performance period ending June 30, 2005, as recommended by the Compensation Committee, is hereby approved in the form submitted to the Corporation's Board of Directors.

### **Eligible Employees to Participate in Compensation Plan**

Mr. Ferguson further reported that the Compensation Committee recommends that the Board approve, as provided, the employees listed as Participants in the UTIMCO Compensation Plan. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Employees Eligible to Participate in the UTIMCO Compensation Program, as recommended by the Compensation Committee, are hereby approved in the form submitted to the Corporation's Board of Directors.

### **Performance Goals**

The Compensation Program requires that the President and CEO's performance goals be determined and approved by the UTIMCO Board. The Compensation Committee recommends that the Board approve the President and CEO's individual performance goals as presented. The Directors discussed certain modifications to the goals. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the President and CEO's Individual Performance Goals, as recommended by the Compensation Committee, subject to modifications requested by the Board of Directors, are hereby approved.



There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:45 p.m.

Secretary: \_\_\_\_\_  
Joan Moeller

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company

TAB 2

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 19, 2005

- Agenda Item:** Consideration of Ernst & Young LLP Engagement Letter to audit and report on the financial statements of UTIMCO for the year ending August 31, 2005.
- Developed By:** Moeller
- Presented By:** Nye
- Type of Item:** Action item; Action required by UTIMCO Board
- Description:** The Audit Charter of the Audit and Ethics Committee ("Committee") sets forth the responsibilities of the Committee and UTIMCO Board with respect to hiring the Corporation's independent auditor. The Committee recommends the appointment of the independent auditor, and the auditor is ultimately accountable to the Committee and the Board. The external auditors for the investment funds managed by UTIMCO are selected by the U.T. Board of Regents.
- Recommendation:** The Audit and Ethics Committee approved the Ernst & Young LLP Engagement Letter on April 25, 2005, and recommends that the UTIMCO Board approve the Engagement Letter.
- Discussion:** FY 2005 is the third year that Ernst & Young LLP will serve as the Corporation's auditor. The external auditors for the investment funds are hired by U.T. Board of Regents and U.T. System is currently negotiating the contract with Ernst & Young. Estimated fee for UTIMCO's 2005 audit services is \$9,500, plus out-of-pocket expenses, and represents an increase of 6.4% over the prior year fee of \$8,925.
- Reference:** Ernst & Young LLP Engagement Letter

**RESOLUTION RELATED TO ENGAGEMENT OF  
INDEPENDENT AUDITOR**

RESOLVED, that the firm of Ernst & Young, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2005, as submitted by the Audit and Ethics Committee.

March 31, 2005

Ms. Joan Moeller, Managing Director  
Accounting, Finance and Administration  
The University of Texas Investment Management Company  
221 West 6<sup>th</sup> Street, Suite 700  
Austin, Tx 78701

Dear Ms. Moeller:

This will confirm the engagement of Ernst & Young LLP (“we” or “E&Y”) to audit and report on the financial statements of The University of Texas Investment Management Company (UTIMCO) for the year ended August 31, 2005. The objective of our audit is to express an opinion on the fairness, in all material respects, of the presentation of the financial statements in conformity with accounting principles generally accepted in the United States.

Should conditions not now anticipated preclude us from completing our audit and issuing a report as contemplated by the preceding paragraph, we will advise you and the Audit Committee promptly and take such action as we deem appropriate.

### **Audit Responsibilities and Limitations**

We will conduct our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we obtain reasonable rather than absolute assurance that the financial statements are free of material misstatement whether caused by error or fraud. As the Company is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud, and illegal acts. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.

As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Company’s internal control. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.

If we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether by senior management or other employees) that causes a material misstatement of the financial statements, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee and

Ms. Joan Moeller  
The University of Texas Investment Management Company (UTIMCO)

March 31, 2005  
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appropriate members of management are adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit Committee and appropriate members of management of significant audit adjustments and reportable conditions noted during our audit procedures.

We also may communicate other opportunities we observe for economies in or improved controls over the Company's operations.

### **Management's Responsibilities and Representations**

The financial statements are the responsibility of the Company's management, which is also responsible for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the financial statements. Management of the Company also is responsible for the identification of, and for the Company's compliance with, laws and regulations applicable to its activities.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unadjusted audit differences accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading the auditors, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of attorney/client privilege, work product doctrine, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Company's financial statements; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Company's independent auditors. The Company and we will disclose any such withholding of information to the Audit Committee.

Ms. Joan Moeller  
The University of Texas Investment Management Company (UTIMCO)

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As required by auditing standards generally accepted in the United States, we will make specific inquiries of management about the representations contained in the financial statements. Those standards also require that, at the conclusion of the audit, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements. Management is responsible for providing us with all financial records and related information on a timely basis, and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.

### **Fees and Billings**

We estimate that the fee for our 2005 audit services will be approximately \$9,500 plus expenses. We will submit our invoices as follows: \$4,000 due October 31, 2005 and \$5,500 due November 30, 2005.

In addition, the Company shall reimburse us for direct expenses incurred in connection with the performance of our audit services. Direct expenses include reasonable and customary out-of-pocket expenses such as travel, meals, accommodations and other expenses specifically related to this engagement. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients.

Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us and are dependent upon the Company's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the audit fee referred to above and will be the subject of other written agreements.

In the event we are requested or authorized by the Company or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Company, the Company will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Ms. Joan Moeller  
The University of Texas Investment Management Company (UTIMCO)

March 31, 2005  
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### **Other Matters**

The Company shall not, during the term of this agreement and for 12 months following its termination for any reason, solicit for employment, or hire, any E&Y personnel involved in the performance of the audit services, except as otherwise agreed in writing by E&Y; provided that the Company shall not breach its obligation hereunder by generally advertising available positions or hiring E&Y personnel who either respond to such advertisements or come to the Company on their own initiative without direct or indirect encouragement from the Company.

In addition, the Company shall not, without the prior written consent of E&Y, solicit for employment, or hire, any current or former partner or professional employee of E&Y, any affiliate thereof, or any other member of the global Ernst & Young network or any of their respective affiliates, if such partner or professional employee has been involved in the performance of any audit, review, or attest service for or relating to the Company at any time during the then current fiscal year of the Company up to and including the date of the audit report for that year, or in the 12 months preceding the audit report date for the immediately preceding fiscal year.

By your signature below, you confirm that the Company, through its Board of Directors, has expressly authorized you to enter into this agreement with us on the Company's behalf.

Any dispute or claim arising out of or relating to services covered by this agreement or any other services hereafter provided by or on behalf of E&Y or any of its subcontractors or agents to the Company or at its request (including any matter involving any third party for whose benefit any such services are provided), shall be resolved by mediation and arbitration conducted as set forth in the attachment to this agreement and incorporated herein by reference. Arbitration shall take place in New York, New York. Judgment on any arbitration award may be entered in any court having jurisdiction.

If any portion of this agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this agreement shall remain in effect. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and fully to be performed therein by residents thereof.

We will audit and report on the financial statements of the Company for each of its subsequent fiscal years until either the Company or E&Y terminates the agreement. Changes in the scope of our audit services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters.



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The University of Texas Investment Management Company (UTIMCO)

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If these arrangements are acceptable, please sign one copy of this agreement and return it to us.

We very much appreciate the opportunity to serve as The University of Texas Investment Management Company's (UTIMCO) independent auditors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions.

Yours very truly,

*Ernst + Young LLP*

The University of Texas Investment Management Company (UTIMCO)

By: \_\_\_\_\_

Ms. Joan Moeller

Managing Director, Accounting, Finance and Administration

\_\_\_\_\_  
Date

## **Dispute Resolution Procedures**

### **Mediation**

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the CPR Institute for Dispute Resolution (“CPR”) shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties.

The mediator shall conduct the mediation as he/she determines with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

### **Arbitration**

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration (“Rules”) as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, of which each of the parties (or each group of aligned parties) shall select one from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules, and the third of which shall be selected as set forth in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort. Damages that are inconsistent with any applicable agreement, that are punitive in nature, or that are not measured by the prevailing party's actual damages, shall be unavailable in arbitration or any other forum. The parties expressly waive the right to such damages, and the arbitrators shall have no power to award them. The arbitration panel shall have no power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure to government agencies or other regulators is necessary for the disclosing party to comply with applicable law or regulatory requirements.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

**Agenda Item**  
UTIMCO Board Meeting  
May 19, 2005

**Agenda Item:** Consideration of proposed changes to the Audit Charter of the Audit and Ethics Committee

**Developed by:** Moeller

**Presented by:** Nye

**Type of Item:** Action item; Action required by UTIMCO Board

**Description:** The Charter sets forth the functions, duties and responsibilities of the Audit and Ethics Committee in order for the Committee to assist the Board in monitoring the financial and compliance functions of UTIMCO and the investment funds managed on behalf of the U. T. System Board of Regents.

**Recommendation:** The Audit and Ethics Committee recommends that the amended Charter be adopted by the UTIMCO Board.

**Discussion:** The Committee considered Staff's recommended changes to the Charter at its April 25, 2005 meeting. Staff has made additional edits to the charter based on the Committee's recommendations from their prior meeting. The Committee will review the amended Charter at its May 18, 2005 meeting.

UTIMCO is voluntarily complying with relevant provisions of the Sarbanes-Oxley Act (SOX). A large part of the burden of regulatory reforms brought about by SOX falls on the shoulders of audit committees. SOX redefines the role of audit committees in ensuring accountability and understanding and adapting to this new environment has been a challenge to audit committees in all industries.

The following amendments are proposed:

1. Clarify the Committee's responsibility (pages 1 and 2)
2. State that the members are independent and provide definition (page 2)
3. State that one member is a "financial expert" and provide attributes (page 3)
4. Clarify that the Committee will monitor enterprise risk management (pages 4 and 5)
5. Added a section on auditor independence (page 6)
6. Formalized the role of the internal audit function and the Committee's responsibility (page 6)
7. Reorganized ethic responsibilities and provide a separate section (page 7)
8. Added a section on overseeing regulatory compliance (page 7)
9. Clarified the provision related to Corporation's voluntary compliance with SOX (page 8)
10. Minor editorial changes

**Reference:** Audit Charter of the Audit and Ethics Committee

**RESOLUTION RELATED TO  
AUDIT CHARTER OF THE AUDIT AND ETHICS COMMITTEE**

RESOLVED, that the revision of the Audit Charter of the Audit and Ethics Committee be, and is hereby, approved in the form submitted to the Board.

**UTIMCO**  
**AUDIT CHARTER**  
**OF THE**  
**AUDIT AND ETHICS COMMITTEE**

**Background**

The Board of Directors (the “Board”) of UTIMCO (the “Corporation”) established an Audit and Ethics Committee (the “Committee”) on February 22, 1996. On July 15, 1996 the Board adopted certain resolutions regarding, among other things, the Corporation’s Audit and Ethics Committee Mandate (the “Mandate”). The Mandate was superseded by this Audit Charter adopted by the UTIMCO Board on June 29, 2000, as amended on June 26, 2003 and further amended on May 19, 2005.

**Purpose**

The primary purpose of the Committee is to assist the Board in monitoring the financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the U-T- Board”) to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Corporation’s independent auditors;
- the independence and performance of the independent auditors selected by the U-T- Board to audit the investment funds managed by UTIMCO on their behalf;
- ~~for the purposes of review, any internal audit functions performed by the U- T- System Audit Office;~~
- the Corporation's audit policies, and ethics programs policies, and adherence to regulatory requirements; and
- the Corporation's compliance processes associated with investment policies and risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members.

independent external auditors, UT System's internal auditors, and management of the Corporation. To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

### **Scope**

In addition to the Corporation, this Audit Charter shall encompass the investment funds subject to the Investment Management Services Agreement by and between the U- T- Board and the Corporation effective March 1, 1996, and any subsequent amendments or restatements. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment assets managed on behalf of the U-T- Board.

### **Composition**

The Committee shall be composed of three members of the Board; such members to be appointed from time to time by a majority of the Board and approved by the U- T- Board as required by Section 66.08 (c)(3) of the Texas Education Code. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

### **Independence Requirements**

The Board shall determine that all members of the Committee are independent. The definition of "independent" is a person who has ~~have~~ no relationship with the Corporation, which would interfere with his or her~~their~~ exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursement they may receive as members of the Board and its Committees.

### **Financial Literacy**

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

## **Financial Management Expertise**

The Board, based on its business judgment, shall determine that at least one member of the Committee is a "financial expert." ~~possesses accounting or related financial management expertise.~~ A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

## **Meetings; Quorum; Etc.**

The Corporation's Bylaws state that any committee created by the Board shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## **Functions, Duties and Responsibilities**

*Review of Financial Statements for Quality Considerations.* The Committee has the following duties and responsibilities with respect to the financial



statements of the Corporation and the investment funds managed on behalf of the U-T Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;
- review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
- discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of an audit; and
- receive and review periodic reports from the independent auditor regarding the auditor's independence and discuss such reports with the auditor.

**Monitor Management's Handling of Internal Controls and Enterprise Risk Management.** The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the U-T Board:

- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:
  - any restrictions on the scope of activities or access to required information; and
  - any changes required in the planned scope of the audit;
- obtain reports from management, the independent auditor and ~~any~~ appropriate U-T System internal auditor with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;
- meet at least annually with the independent auditor and the senior personnel of the U-T System Audit Office without management participation;
- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;

- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
- review the significant reports to management prepared by the U-T System Audit Office and management's responses; and
- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies';
- evaluate the overall effectiveness of the corporation's enterprise risk management framework;
- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk management; and
- inquire of management, UT System's internal auditor, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

**Manage the Relationship with the External Auditors.** The external auditors for the Permanent University Fund are selected by the U-T Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the U-T Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the U-T Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the U-T Board will be selected by the U-T Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the U-T Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.
- approve the fee arrangement of the independent auditor;

- after interviewing members of the Corporation's staff evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and
- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

### Auditor Independence

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services contemporaneously with the audit;
- the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and
- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period proceeding the audit.

### Work with the Internal Audit Function

The Corporation utilizes the UT System Internal Audit Department to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;
- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;
- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;
- review completed internal audits and the status of management's implementing related recommendations; and

- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

### **Monitor Ethics Program**

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- review the Code of Ethics policy of the Corporation annually and recommend any proposed changes to the Board for approval;
- annually evaluate and review the Corporation's compliance process;
- follow the UT System compliance guideline as outlined in the Action Plan to Enhance Institutional Compliance; and
- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

### **Oversee Regulatory Compliance**

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- obtain regular updates from management and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;
- obtain regular updates from management regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and
- review the findings of any examinations by regulatory agencies.

***Other Duties.*** The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- review and reassess the adequacy of this Audit Charter annually and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities as may from time to time be designated by the Board;
- ~~• review the Code of Ethics policy of the Corporation annually and recommend any proposed changes to the Board for approval;~~
- ~~• annually evaluate and review the Corporation's compliance process; and follow the U.T. System compliance guideline as outlined in the Action Plan to Enhance Institutional Compliance; and~~
- direct the scope of the Corporation's voluntary compliance with relevant provisions of the Sarbanes – Oxley Act of 2002, monitor and review the implementation of the relevant provisions; and certification of financial statements by the Corporation's Chief Executive Officer and Chief Financial Officer, as required by Section 302 of the Sarbanes – Oxley Act of 2002, Corporate Responsibility for Financial Reports, effective with the August 31, 2004 financial statements.
- evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

### **Powers and Limitations**

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation or the Corporation's outside legal counsel or the U. T. System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on ~~June 26, 2003~~ May 19, 2005.

TAB 3

## RESOLUTION RELATED TO CORPORATION OFFICERS

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Woody L. Hunt	Chairman
<b>Open</b>	<b>Vice-Chairman</b>
Mark G. Yudof	Vice-Chairman for Policy
Bob Boldt	President
Cathy Iberg	Managing Director
Bill Edwards	Managing Director
Larry Goldsmith	Managing Director
Sara McMahon	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Andrea Reed	Risk Manager
Trey Thompson	Managing Director
Christy Wallace	Assistant Secretary

<p style="text-align: center;"><b>RESOLUTION RELATED TO KEY EMPLOYEES OF THE CORPORATION</b></p>
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RESOLVED, as required by the Corporation's Code of Ethics, the Board shall designate, by position, key employees of the Corporation.

Bob Boldt	President, Chief Executive Officer and Chief Investment Officer
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Larry Goldsmith	Managing Director – Public Markets Investments
Sara McMahon	Managing Director - Non-Marketable Alternative Investments
Joan Moeller	Managing Director - Accounting, Finance and Administration
Andrea Reed	Risk Manager
Trey Thompson	Managing Director - Non-Marketable Alternative Investments
Greg Cox	Portfolio Manager - Equity Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Debbie Childers	Manager of Portfolio Accounting and Operations
Gary Hill	Manager of Investment Reporting
Greg Lee	Manager - Finance and Administration
Christy Wallace	Executive Assistant



TAB 4

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 19, 2005

- Agenda Item:** Report on the External Investment Consultant and Consideration of Contract Renewal
- Developed By:** Moeller
- Presented By:** Boldt, Moeller
- Type of Item:** Information item on report; action item by UTIMCO Board to approve contract renewal.
- Description:** The Comprehensive Report on the External Investment Consultant is being submitted to update the UTIMCO Board on the current scope of work performed by the external consultant. The report was prepared for the first time last year. This report covers the period March 1, 2004 to February 28, 2005. The investment consultant is Cambridge Associates LLC and the lead consultant is Bruce Myers. Under the Delegation of Authority, the execution of investment consultant agreements is not delegated to the UTIMCO CEO and, therefore, the contract is being submitted for approval by the UTIMCO Board.
- Recommendation:** Staff recommends the approval of the external investment consultant contract
- Discussion:** Cambridge Associates has served as UTIMCO's consultant since its inception in 1996, undertaking a number of assignments ranging from general consultant to non-discretionary investment manager of the non-marketable assets portfolio from 2000 to 2002. Under the current contract with Cambridge, UTIMCO receives Cambridge's full range of information, research, and consulting services. The contract also includes full access to web based internet services. In addition, Cambridge Associates provides a variety of services, including benchmark review, hedge fund manager search, international equity manager search, manager search assistance, spending analysis, miscellaneous requests, discussion on private equity group, spending policy memorandum, preparation of endowment exhibits, investment research, data request of endowment returns, asset allocation review, asset allocation study, asset allocation presentation, and alternative assets study. The prior Cambridge Associates contract was for \$900,000 annually, a renewal contract for \$1,100,000 annually has been proposed by Cambridge.
- Reference:** Annual Comprehensive Report on External Investment Consultant; Contract with Cambridge Associates

RESOLUTION REGARDING  
EXTERNAL INVESTMENT CONSULTANT CONTRACT

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

# Annual Comprehensive Report on External Investment Consultant

The services provided in the contract cover the following three areas:

- General Consulting Services
- Non-Marketable Alternative Asset Consulting Services
- Marketable Alternative Investment Consulting Services

## General Consulting Services

### *Per contract:*

- Access via the Cambridge Associates (CA) consulting team and in many instances CA's web site to proprietary databases on capital markets, investment managers and partnerships, and comparative peer performance; quarterly and annual surveys of investment and financial data.
- A variety of research reports and working papers on investment and financial issues
- A comprehensive asset allocation review including a presentation to the Board
- Attendance at up to eight (8) investment advisory meetings per year to discuss investment strategy, asset allocation, performance, market environment and investment manager selections.

### *Report on services provided:*

- Provided Periodic Updates of Cambridge's Reporting Institutions' Data
  - Quarterly Investment Return and Asset Allocation (hardcopy, via website and excel)
  - Annual Investment Return, Asset Allocation, Endowment size, spending rates and investment manager information
  - Annual updates to charts reflecting the impact of spending on future market values and future spending
- Provided written opinion of new strategy for investing the Core Fund
- Bruce Myers attended eight UTIMCO Board meetings
- Bruce Myers attended one compensation committee meeting. He also participated in non-committee meetings concerning the UTIMCO Compensation Program and provided guidance with respect to market benchmarks as well as the construction of a peer universe of educational endowments. Cambridge provided the peer universe for the performance period ending June 30, 2004, as well as the current period ending June 30, 2005. Cambridge also provided the peer ranking of the Total Endowment Assets.

- Bruce Myers attended one UT System Board of Regents meeting related to the UTIMCO Compensation Program.
- In process of conducting a custom survey of a select group of peer institutions, focusing on investment-related costs (a separate contract covers the survey.)
- Periodically conferred with Public Markets' Managing Director regarding leading candidates for various mandates
- Cambridge Associates provides many publications as a part of their services. A partial listing of the 2004 publications is attached as Exhibit A.

## **Non-Marketable Alternative Investments Asset Consulting Services**

### ***Per contract:***

- Upon request, a comprehensive review of Client's non-marketable alternative investments asset program including an analysis of existing fund performance
- Preparation of quarterly forward calendars of non-marketable alternative investment opportunities
- Each quarter CA will provide the Client with its proprietary US Venture Capital and Private Equity benchmarks statistics to be used for individual manager evaluation
- Up to twelve due diligence memos and recommendations providing summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 12 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.
- Attendance at up to twenty in-person meetings (time but not travel expenses) and/or participation in conference calls with Client to discuss non-marketable alternative investment strategy, the market environment, and potential fund opportunities. Additionally, CA may be asked to address Client's concerns regarding potential limited partnership investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Subject to the License terms and conditions in Exhibit II, access to CA's web-based software program Private Equity Benchmark Calculator for creating customized benchmarks specifying multiple filter criteria, such as asset sector, vintage year, and industry focus, region and stage.

### ***Report on services provided:***

#### **General Consulting Services**

- *Conference Calls and In-Person Meetings:* The Non-Marketable Alternatives ("NMA") team has periodic conference calls with the Cambridge Associates consulting staff (Astrid Noltemy, Jennifer Urdan and several associates and analysts) to discuss the market environment, potential fund opportunities, and investment strategy. During the past twelve months, the team had 10 conference calls with the Cambridge staff. The team also held one (1) full-day meeting with the Cambridge staff at UTIMCO.
- *Investment Recommendations:* Cambridge Associates provides a written recommendation for each new deal the NMA team presents to the CIO and Board of Directors. The recommendations provide summaries of references, highlights of competitive advantages, and other issues for consideration.
- *Due Diligence Reports:* In addition to recommendations on new funds, the NMA team will from time to time ask Cambridge Associates to provide a complete due diligence memorandum on a proposed investment. Due diligence memoranda provide more detail on the fund and supplement the internal due diligence memorandum prepared by the NMA team.

- *Annual Partnership Meeting Attendance:* Cambridge will have representatives attend annual partnership meetings if members from the NMA team cannot attend. A summary and commentary of the meeting is provided to the team.
- *Data and Analytical Tools:* The NMA team has access to Cambridge data and online analytical tools, including the Private Equity Benchmark Calculator, the CPP System, quarterly US Venture Capital and Private Equity benchmark statistics, research reports and market commentary. A brief description of each of these information services is listed below.
  - Private Equity Benchmark Calculator: Customized benchmarks that specify multiple filter criteria, such as asset sector, vintage year, industry focus, region and state.
  - CPP System: Cambridge maintains UTIMCO's portfolio information within its CPP or Cambridge Private Portfolio System (CPP), allowing UTIMCO to access online data and analysis about the portfolio.
  - US Venture Capital and Private Equity Benchmark Statistics: Quarterly valuation and return information on venture capital, private equity, mezzanine, non-US private equity and oil and gas partnerships.
  - Research Reports: In-depth research and analysis on asset classes, sectors and strategies. Examples of research reports received over the last twelve months include "US Venture Capital Investing 2003", "Reversal of Fortune: The Effect of the Market Decline on the Budgets of Endowed Institutions", and "Where Are We Now and What to Do About It".
  - Market Commentary: Cambridge viewpoints on various market segments and events. Examples of market commentary received over the last twelve months include – "Money For Nothing: The Global Liquidity Binge", "Investing in China: Not Yet", and "Why Has Value So Consistently Outperformed Growth?"

### **Services Provided During the Last Twelve Months**

As illustrated below, Cambridge conducted 11 conference calls/meetings with the NMA staff, provided eight investment recommendations, six due diligence reports and six annual meeting summaries (refer to **Exhibit B** for a detailed list of reports provided). In addition, the team had frequent email and phone exchanges with various Cambridge consultants that are not included in the numbers shown below.

<b>Cambridge Associates Services</b> <b>Non-Marketable Alternative Investments</b> <i>March 1, 2004- February 28, 2005</i>	
<b>Type of Service</b>	<b>Number of Reports/Meetings</b>
Conference Call/ In-Person Meeting	12
Investment Recommendations	10
Due Diligence Memoranda	5
Annual Meeting Summaries	0



## Marketable Alternative Asset Consulting Services

### *Per contract:*

- A comprehensive review of Client's marketable alternative investment assets including an analysis of existing programs and funds, a program risk assessment, and recommended changes in program structure and allocation.
- Attendance at up to fourteen in-person meetings (time but not travel expenses) and/or participation in conference calls to discuss marketable alternative investment strategy, the market environment, and potential investment opportunities. Additionally, CA may be asked to address Client's concerns regarding potential marketable alternative investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Up to ten due diligence memos and recommendations that provide summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 10 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.

### *Report on services provided:*

#### **General Consulting Services**

- Marketable Alternatives accesses the Cambridge consulting team (more specifically, Ken Minklei at Cambridge) to obtain additional information and knowledge of investment managers. In addition, Marketable Alternatives utilizes the Cambridge Associates database of hedge fund managers (as presented on the CA website) for informational purposes.
- Review of existing program- UTIMCO maintains a contact database and monitors potential candidates that would complement the existing Marketable Alternatives program. This information is communicated to Cambridge during our conference calls and other meetings with Cambridge.

#### **Services Provided During the Last Twelve Months**

As illustrated below, Cambridge conducted six conference calls/meetings with the MA staff and provided eight investment memorandums.

Cambridge Associates Services Marketable Alternative Investments March 1, 2004 – February 28, 2005	
Type of Service	Number of Reports/Meetings
Conference Call/ In-person Meeting	6
Due Diligence Memorandums & Recommendations	8

**Exhibit A**  
**Various Publications provided by Cambridge Associates**

1. Analysis of College and University Investment Pool Returns
2. Asia Ex Japan Distressed Investing
3. Asian Hedge Funds
4. Asset Allocation in the Current Environment
5. Comparative Asset Allocations & Total Return – Colleges & Universities
6. Comparative Asset Allocations & Total Return – Non-Taxable Portfolios Over \$1 Billion
7. Freshman Financial Aid and Admissions
8. Global Market Comment
9. Implementing Investments in Real Estate
10. Investment Office Organization and Management
11. Long/Short Hedge Funds
12. Manager Hiring & Firing
13. Market Updates – Returns & Valuations (Monthly)
14. Market Update: A Look Back and a Look Ahead
15. Multi-strategy hedge funds
16. Policy Portfolios, Tactical Asset Allocation
17. Rebalancing
18. Spending Policy Practices
19. Student Charges – Academic Year 2004-2005
20. US Equity Managers (Ex-Small-Cap)
21. US Equity Managers (Ex-Small-Cap) – Executive Summary
22. US Fixed Income Managers
23. US Fixed Income Managers – Executive Summary
24. US Historical Capital Market Valuations
25. US Manager Update
26. US Market Comment
27. US Market Comment Tips, revisited
28. US Venture Capital Investing
29. US Small-Cap Equity Managers
30. US Small-Cap Equity Managers – Executive Summary

## Exhibit B

### Cambridge Associates Services Provided for NMA

*March 1, 2004- February 28, 2005*

<b>Date Closed</b>	<b>Date Written</b>	<b>Description of Service</b>	<b>Fund (if applicable)</b>
7/16/2004	6/1/2004	Due Diligence Report	Eos Capital Partners III, L.P.
2/15/2005	10/1/2004	Due Diligence Report	Pomona Capital VI, L.P.
3/15/2005	9/1/2004	Due Diligence Report	Prism Venture Partners V, L.P.
N/A	1/1/2005	Due Diligence Report	Barclays Private Equity II, L.P.
N/A	7/1/2004	Due Diligence Report	Interwest Partners IX, L.P.
<b>Total =</b>		<b>5</b>	
7/1/2004	6/4/2004	Recommendation	Fisher Lych Venture Partnership, L.P.
7/16/2004	6/29/2004	Recommendation	Eos Capital Partners III, L.P.
8/5/2004	6/8/2004	Recommendation	OCM Opportunities Fund V, L.P.
9/28/2004	7/1/2004	Recommendation	Tejas Venture Partners I, L.P.
10/29/2004	8/24/2004	Recommendation	Knightsbridge Venture Capital VI, L.P.
10/29/2004	8/23/2004	Recommendation	Doughy Hanson & Co. IV, L.P.
11/1/2004	7/1/2004	Recommendation	DDJ Total Return Loan Fund, L.P.
11/2/2004	9/1/2004	Recommendation	Unoin Square Ventures, L.P.
2/25/2005	2/9/2005	Recommendation	OCM/GFI Power Opportunities Fund II, L.P.
N/A	7/26/2004	Recommendation	Interwest Partners IX, L.P.
<b>Total =</b>		<b>10</b>	
3/8/2004		Conference Call	
4/13/2004		Conference Call	
5/20/2004		Conference Call	
6/7/2004		Conference Call	
8/2/2004		Conference Call	
8/30/2004		Conference Call	
9/16/2004		Conference Call	
10/14/2004		Conference Call	
12/7/2004		Conference Call	
1/5/2005		Conference Call	
2/7/2005		Conference Call	
<b>Total =</b>		<b>11</b>	
All Day Meeting at UTIMCO			
<b>Total =</b>		<b>1</b>	

May 12, 2005

Mr. Bob Boldt  
President and CEO  
UTIMCO  
221 W 6th St.  
Suite 1700  
Austin, TX 78701

Dear Mr. Boldt:

I am writing to confirm that within the context of your existing Agreement with Cambridge Associates dated December 1, 2002, the generalist and specialist consultants at CA will provide The University of Texas Investment Management Company ("Client") with the following services for the twelve month period beginning December 1, 2004.

**General Consulting Services**

- Access via the CA consulting team and in many instances CA's web site to proprietary databases on capital markets, investment managers and partnerships, and comparative peer performance; quarterly and annual surveys of investment and financial data.
- A variety of research reports and working papers on investment and financial issues.
- A comprehensive asset allocation review including a presentation to the Board.
- Attendance at up to eight (8) investment advisory meetings per year to discuss investment strategy, asset allocation, performance, market environment and investment manager selections.
- Investment manager recommendations presented to the Board for final approval constitute an additional service and will be charged in accordance with the fee schedule shown in Exhibit I.
- If deemed necessary as a result of the asset allocation discussion to be held in Spring 2005, CA will attend the joint UTIMCO/Board of Regents meeting scheduled to be held in July 2005.

**Non Marketable Alternative Asset Consulting Services**

- Upon request, a comprehensive review of Client's non-marketable alternative investment assets program including an analysis of existing fund performance.
- Preparation of quarterly forward calendars of non-marketable alternative investment opportunities.
- Each quarter CA will provide the Client with its proprietary US Venture Capital and Private Equity benchmarks statistics to be used for individual manager evaluation.

- Up to fourteen (14) due diligence memos and recommendations providing summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 14 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.
- Attendance at up to twenty (20) in-person meetings (time but not travel expenses) and/or participation in conference calls with Client to discuss non-marketable investment strategy, the market environment, and potential fund opportunities. Additionally, CA may be asked to address Client's concerns regarding potential limited partnership investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Subject to the License terms and conditions in Exhibit II, access to CA's web-based software program Private Equity Benchmark Calculator for creating customized benchmarks specifying multiple filter criteria, such as asset sector, vintage year, and industry focus, region and stage.

#### **Marketable Alternative Investment Consulting Services**

- A comprehensive review of Client's marketable alternative investment assets including an analysis of existing programs and funds, a program risk assessment, and recommended changes in program structure and allocation.
- Attendance at up to fourteen (14) in-person meetings (time but not travel expenses) and/or participation in conference calls to discuss marketable alternative investment strategy, the market environment, and potential investment opportunities. Additionally, CA may be asked to address Client's concerns regarding potential marketable alternative investments. Such reasonable requirements may include additional reference calls or attendance at additional meetings with potential partners.
- Up to eighteen (18) due diligence memos and recommendations that provide summaries of references, highlights of competitive advantages, and other issues for consideration. The provision of more than 18 due diligence memos and/or recommendations during the contract year will be "Additional Services" and provided upon request at CA's standard fee.

These services will be provided for an Annual Fee of \$1,100,000. This fee will be payable in four equal installments; quarterly in advance. The Annual Fee for subsequent years will be negotiated between the parties depending on the scope of services provided. Out-of-pocket expenses such as communications, printing, copying, etc. and the cost of travel to Texas by members of the consulting team are included in the Annual Fee. International travel costs will be billed to the Client as reimbursable expenses.

At your request, additional consulting services will be provided and billed at CA's standard fees with prior fee authorization when requested. Additional services may include, for example, additional meetings with the Client, manager searches or additional due diligence memos as specified above.

We greatly value our relationship and look forward to continuing to work with you. Please let us know if you have any questions or concerns, otherwise we will assume that these terms are satisfactory.

Sincerely,

Francis J. Phillips  
Chief Financial Officer

cc: Bruce Myers

TAB 5

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 19, 2005

**Agenda Item:** Report on External Counsel

**Developed By:** Moeller

**Presented By:** Moeller

**Type of Item:** Information item

**Description:** The Comprehensive Report on External Counsel is being submitted to update the UTIMCO Board on the scope of services provided by external counsel. This is the first year the report has been prepared and covers the period of March 1, 2004 to February 28, 2005. The external counsel is Vinson & Elkins and Jerry Turner is lead counsel.

**Discussion:** Vinson & Elkins has been UTIMCO's counsel since UTIMCO's inception. Jerry Turner is lead counsel and manages the relationship with UTIMCO. He assigns specialized attorneys to work on various matters related to UTIMCO. Vinson & Elkins provides counsel on both corporate and investment matters and responds to issues and questions brought forth by both UTIMCO directors and staff.

**Reference:** Annual Comprehensive Report on External Counsel; Vinson & Elkins' Fees



## Annual Comprehensive Report on External Counsel

UTIMCO's external counsel is Vinson & Elkins LLP (V&E). Jerry Turner is lead counsel on the UTIMCO relationship. Various attorneys at V&E work on UTIMCO legal matters, both corporate and investment matters. This is the first comprehensive report prepared and covers the period of March 1, 2004 through February 28, 2005.

V&E has been outside legal counsel for UTIMCO since its inception in 1996, including the formation. The role of outside counsel is to provide guidance and assistance to the UTIMCO Board, its individual members, and UTIMCO staff in matters related to UTIMCO business. Mr. Turner is always available to answer any questions UTIMCO Board members may have related to his or her role as a director of UTIMCO, including ethics and policy questions.

Recurring general counsel services provided by V&E include the following:

- participation in all UTIMCO Board meetings and committee meetings (Mr. Turner represents V&E at most of the meetings)
- guidance related to the government provisions covering open meetings law and open records
- review and participation in drafting of policies, including investment policy statements, derivative policy, liquidity policies, etc.
- guidance and opinions concerning the Code of Ethics.
- review of investment manager contracts, investment advisory agreements, limited partnership agreements, side letters, subscription documents, etc., including assistance with disclosure and tax issues
- review of certain vendor contracts such as broker ISDA (International Swap Dealers Association)
- guidance on various federal regulation rules and reporting requirements related to human resources, including employee benefit plan administration and compensation program
- development of materials and participation at new board member orientation
- review and/or draft language of amendments to corporate documents, including bylaws, investment management services agreement, and committee charters

During the period of this report, V&E provided additional services related to specific matters as follows:

- provided research on legal and constitutional restrictions associated with operations of West Texas Lands
- reviewed and provided draft language related to Compensation Program document covering legal and tax provisions
- reviewed and provided substitute language for the lease agreement for office space in the Frost Bank Tower
- participated in development of policies related to the Core Fund, including drafting of Swap agreement and research to determine if any constitutional restraints existed

- specific guidance and review of correspondence related to Open Records Ruling Requests submitted to the Texas Attorney General
- prepared general views memorandum on unrelated business tax issues related to revenue sharing agreements in investment manager contracts
- prepared comments concerning Code of Ethics questions related to hedge funds
- provided guidance on investment standards for UTIMCO – managed endowments
- provided guidance on questions related to Derivative Policy
- provided guidance and training on HIPAA compliance
- researched and prepared memorandum regarding UTIMCO's status under federal and state securities laws relating to regulation of broker-dealers and investment advisors under Investment Company Act of 1940
- interpretation of anti-money laundering laws (Patriot Act)

**Vinson & Elkins' Fees**  
**March 2004 through February 2005**

Direct Fund Expenses:

Private Capital Investments	
Partnership Agreements (34 partnerships)	\$ 255,134.06
Background Checks	4,176.25
Disclosure/Confidentiality Issues	107,162.94
Miscellaneous non-legal expenses	<u>1,041.30</u>
Total Private Capital	367,514.55
Hedge Fund Investments	
Partnership Agreements (14 partnerships)	85,251.25
Background Checks	17,155.75
Disclosure/Confidentiality Issues	30,611.25
Miscellaneous non-legal expenses	<u>1,088.02</u>
Total Hedge Funds	134,106.27
Public Market Investments	
Investment Management Agreements (16 agreements)	107,825.00
Miscellaneous non-legal expenses	<u>445.85</u>
Total Public Markets	108,270.85
Total Direct V&E Fund Expenses	<u>609,891.67</u>

UTMCO Corporate Expenses:

General	
Benefits	6,995.00
Compensation Plan	62,892.50
Revenue Sharing Arrangements (UBIT issue)	26,656.25
Lease	67,905.00
Board	57,718.75
Code of Ethics issues	14,328.75
Policies and Corporate Documents	21,421.25
Management of West Texas Lands	3,835.00
CORE Fund	25,527.00
Provisions related to external Board service	2,983.75
UT System Working Group	2,375.00
Miscellaneous investment	27,356.50
Miscellaneous non-legal expenses	<u>3,741.24</u>
Total General	323,735.99
Disclosure	
Open Records' requests and TPIA issues	6,551.25
Open Meeting Questions\Agendas	1,525.00
Disclosure/confidentiality issues	28,040.00
Legislative issues	17,135.00
Miscellaneous non-legal expenses	<u>1,382.56</u>
Total Disclosure	54,633.81
Total UTIMCO Corporate V&E Expenses	<u>378,369.80</u>
Total V&E Expenses	<u>\$ 988,261.47</u>

TAB 6

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 19, 2005

**Agenda Item:** Reports on Asset Allocation, Risk, and Performance

**Developed By:** Moeller, Hill

**Presented By:** Boldt

**Type of Item:** Information Item

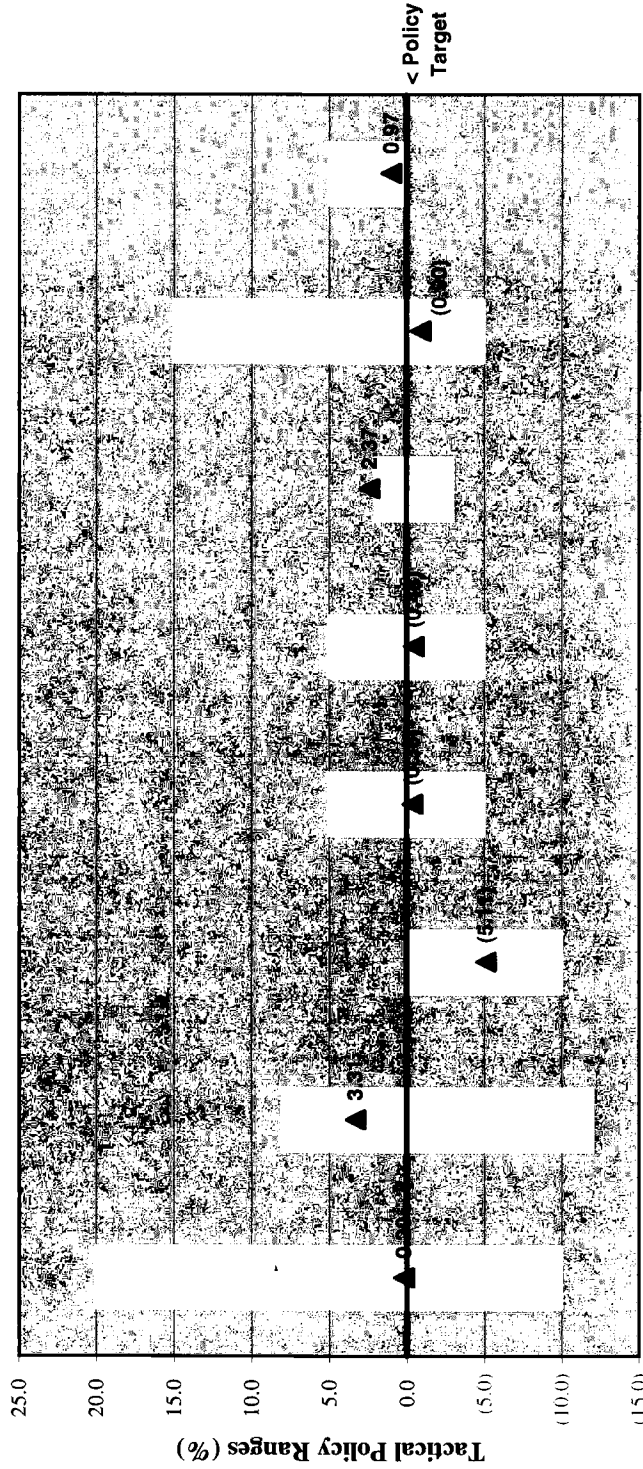
**Description:** The reports presented are for the periods ended March 31, 2005.

**Recommendation:** No action required.

**Reference:** Market Exposure; UTIMCO Performance Summary; Fiscal Year Cumulative Value Added in Endowment Funds; Fiscal Year Cumulative Value Added in Marketable Securities; Fiscal Year Cumulative Value Added in Non-Marketable Securities; Cumulative Value Added in Endowment Funds Since September 2002; Performance Attribution; UTIMCO Endowment Funds vs. Russell/Mellon All Funds Universe; Public Markets Managers Investment Performance Detail; Relative Risk Analysis

**Permanent University Fund  
Market Exposure  
March 31, 2005**

**Deviations From Policy Targets Within Tactical Policy Ranges**



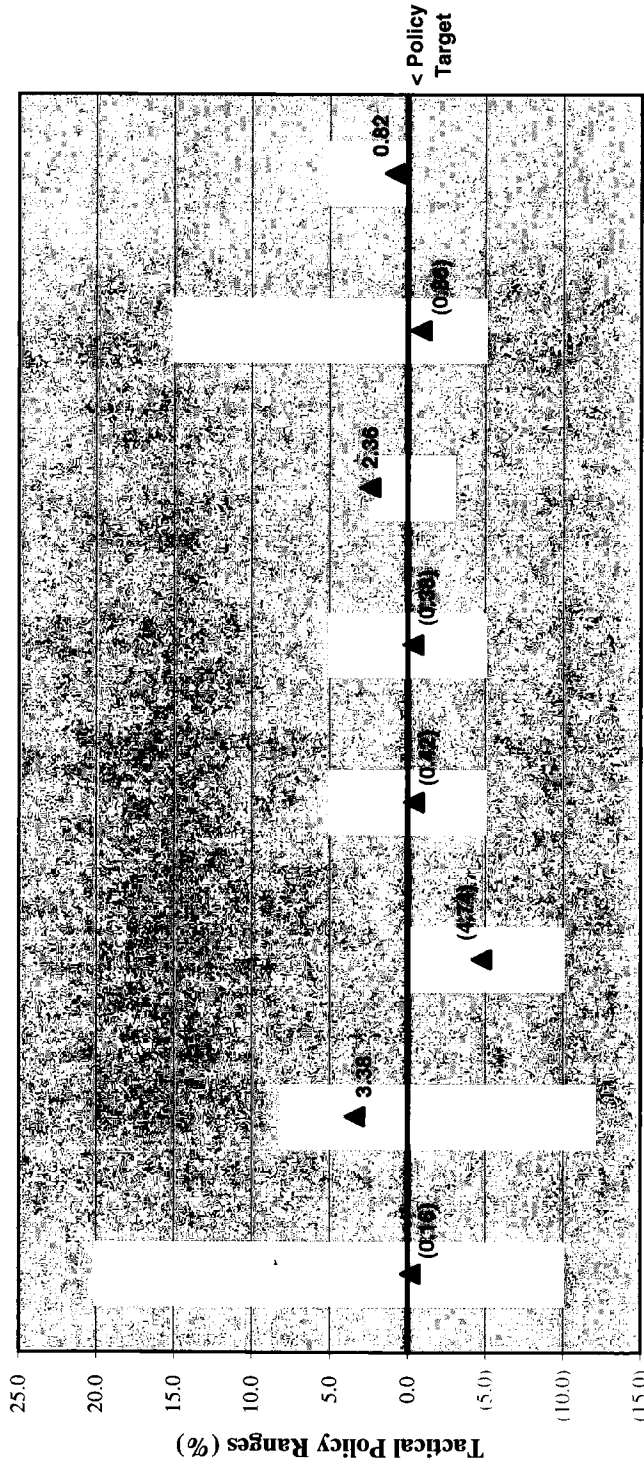
	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	25.33%	20.31%	9.89%	9.64%	14.52%	5.37%	14.10%	0.84%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	0.33%	3.31%	(5.11)%	(0.36)%	(0.48)%	2.37%	(0.90)%	0.84%

	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Deviation in Dollars (\$m)</b>	29.01	291.01	(449.27)	(31.65)	(42.20)	208.37	(79.13)	73.86



**General Endowment Fund  
Market Exposure  
March 31, 2005**

**Deviations From Policy Targets Within Tactical Policy Ranges**



	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	24.84%	20.38%	10.26%	9.58%	14.62%	5.36%	14.14%	0.82%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	-0.16%	3.38%	-4.74%	-0.42%	-0.38%	2.36%	-0.86%	0.82%

Deviation in Dollars (\$m)	(7.53)	159.00	(222.98)	(19.76)	(17.88)	111.02	(40.46)	38.59
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**UTIMCO Performance Summary**  
March 31, 2005

Net Asset Value 3/31/2005 (in Millions)	Periods Ended March 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										
	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>											
Permanent University Fund	8,792.0	(0.57)	1.76	9.42	11.77	10.12	21.18	9.52	7.61	4.60	10.30
General Endowment Fund	888.2	(0.54)	1.78	9.58	11.93	10.23	21.57	9.73	8.11	N/A	N/A
Permanent Health Fund	3,799.5	(0.58)	1.75	9.51	11.85	10.16	21.44	9.61	7.99	4.48	N/A
Long Term Fund	177.5	(0.58)	1.75	9.51	11.85	10.16	21.45	9.64	8.04	4.66	10.99
Separately Invested Funds		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Endowment Funds</b>	<b>13,657.2</b>										
<b>OPERATING FUNDS</b>											
Short Term Fund	2,385.2	0.22	0.58	1.05	1.17	1.65	1.35	1.46	1.93	2.83	4.20
Short Intermediate Term Fund	1,193.1	0.08	0.18	0.70	0.82	0.92	1.80	2.17	2.78	4.23	5.23
Institutional Index Funds:											
BGI US Bond Index Fund	-	(0.53)	(0.49)	0.46	0.75	1.16	3.34	6.07	5.91	7.22	N/A
BGI Equity Index Fund	262.1	(1.75)	(2.12)	6.93	8.09	6.76	20.13	2.80	2.16	(3.12)	N/A
<b>Total Operating Funds</b>	<b>3,840.4</b>										
<b>Total Investments</b>	<b>\$ 17,497.6</b>										
<b>BENCHMARKS (1)</b>											
Permanent University Fund: Policy Portfolio	(0.50)	0.36	0.36	6.25	7.82	9.13	15.85	6.57	4.66	3.27	10.87
General Endowment Fund: Policy Portfolio	(0.50)	0.36	0.36	6.25	7.82	9.13	15.85	6.57	4.71	3.03	10.73
Short Term Fund: 90 Day Treasury Bills Average Yield	0.24	0.57	0.57	1.06	1.18	1.67	1.37	1.47	1.93	2.79	4.05
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)	0.01	(0.26)	(0.26)	(0.24)	(0.33)	(0.38)	1.04	2.90	3.46	4.70	5.37
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index	(0.51)	(0.48)	(0.48)	0.47	0.74	1.15	3.25	5.99	5.83	7.14	7.14
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)	(1.77)	(2.15)	(2.15)	6.88	8.04	6.69	20.07	2.75	2.11	(3.16)	10.79
<b>VALUE ADDED (2)</b>											
Permanent University Fund	(0.07)	0.00	0.40	0.00	0.02	0.00	0.00	0.04	0.00	0.00	(0.57)
General Endowment Fund	(0.04)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
Permanent Health Fund	(0.08)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
Long Term Fund	(0.08)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A
Short Term Fund	(0.03)	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	0.00	0.00	0.00
Short Intermediate Term Fund	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00	(0.73)	(0.68)	(0.48)	(0.14)
Institutional Bond Index Fund	(0.02)	(0.01)	(0.01)	(0.01)	0.00	0.01	0.00	0.00	0.00	0.00	N/A
Institutional Equity Index Fund	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A

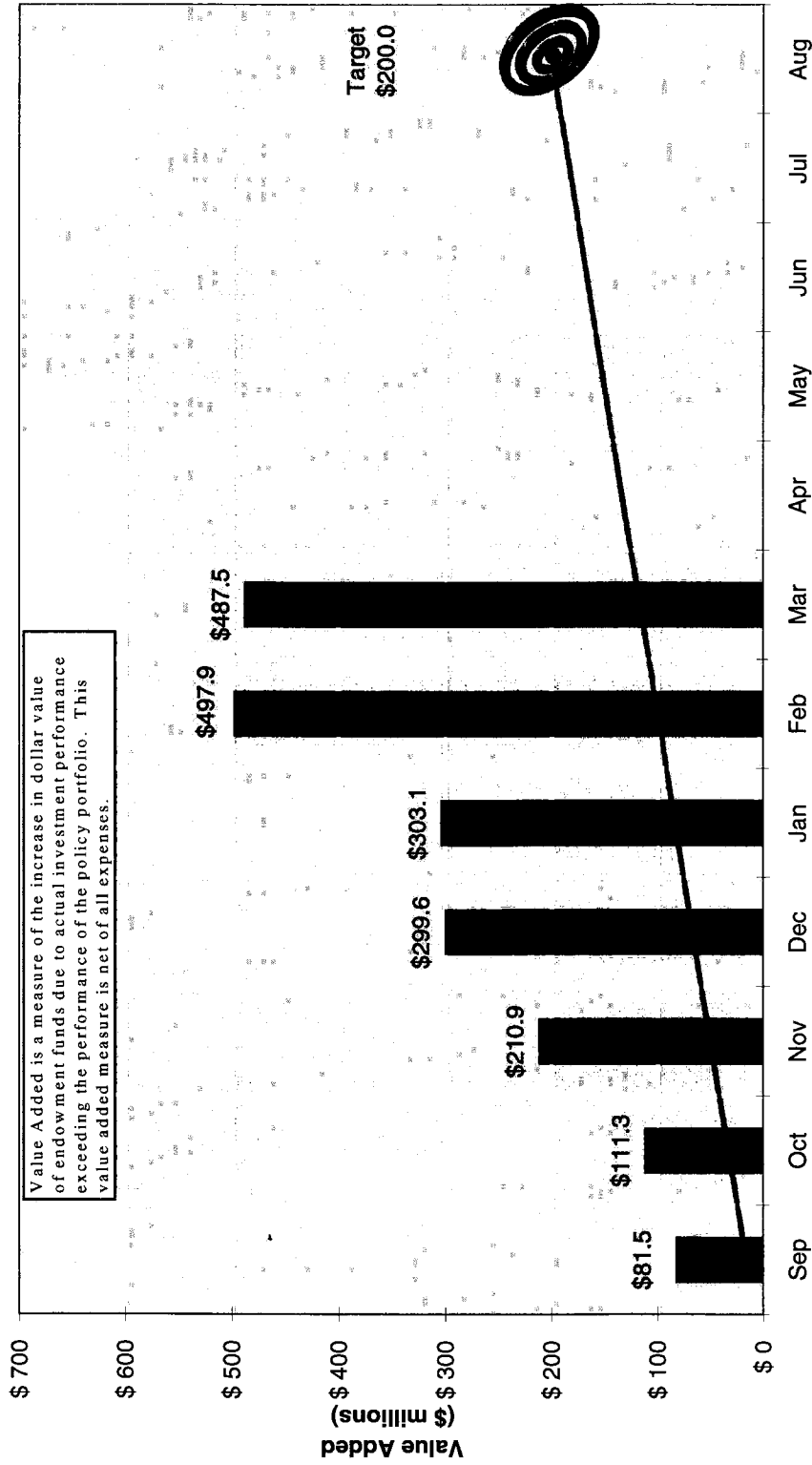
(1) - Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.

(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by the UTIMCO staff and external managers.

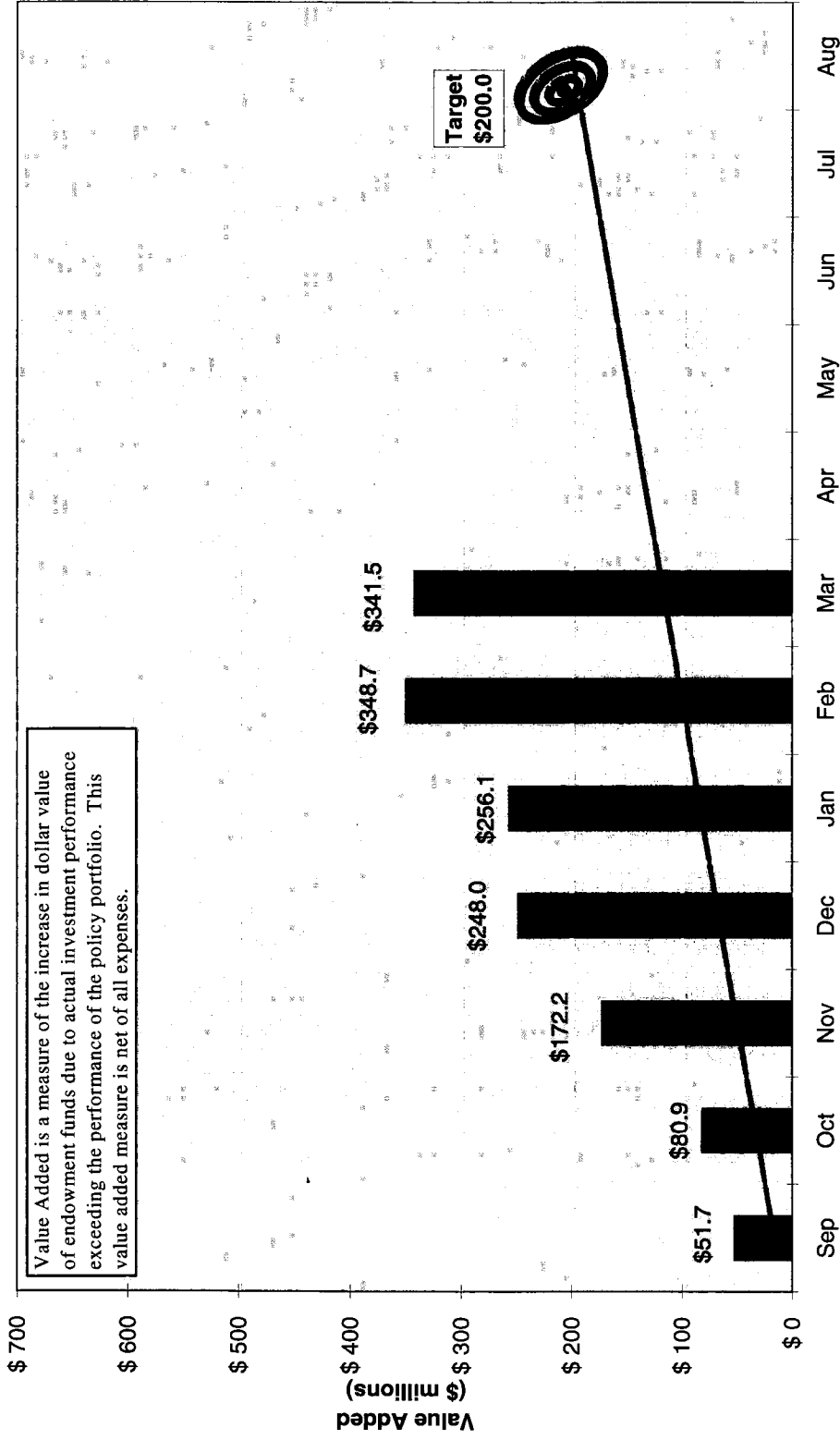




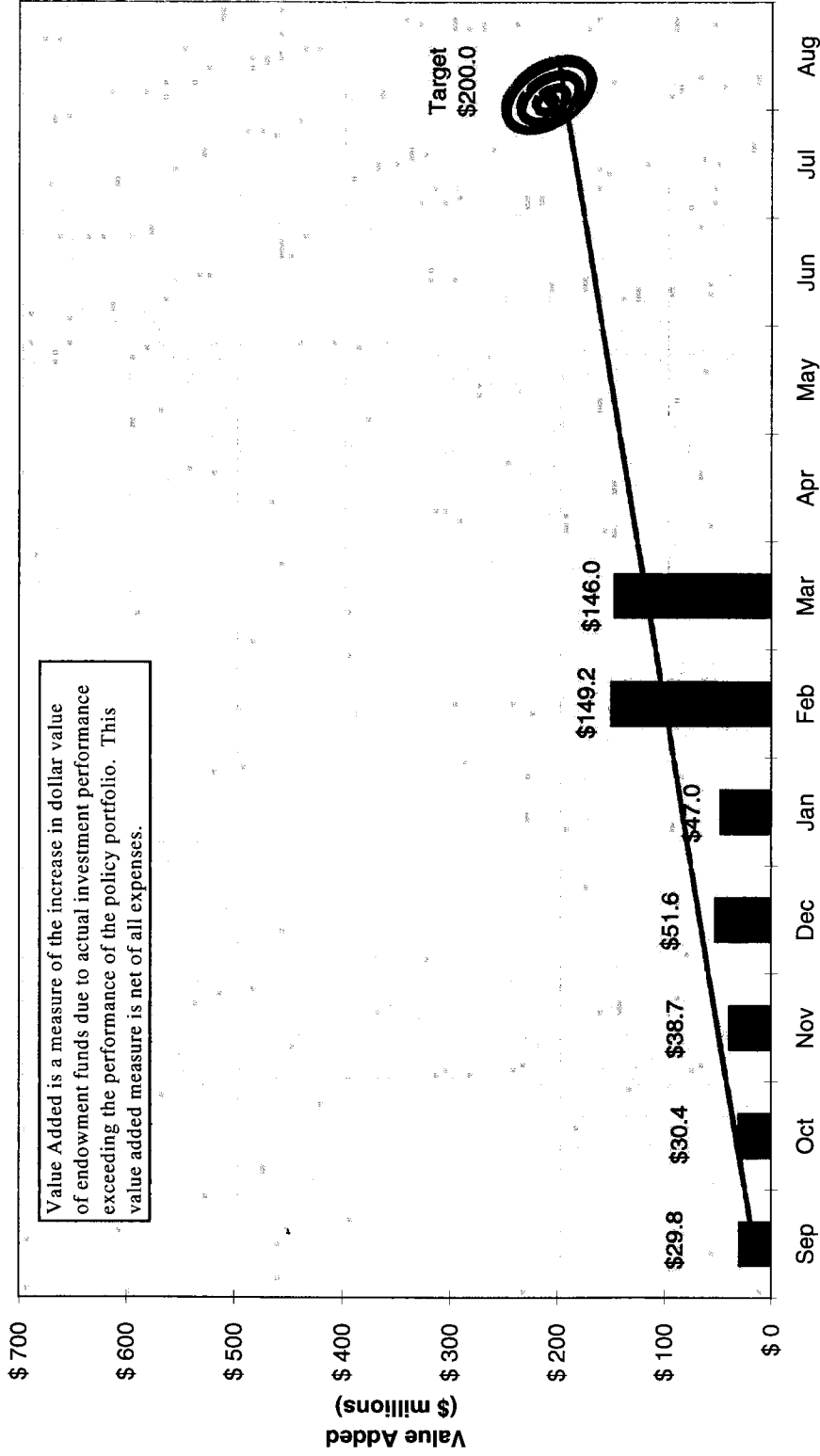
## Cumulative Value Added In Endowment Funds 2004-2005 Fiscal Year



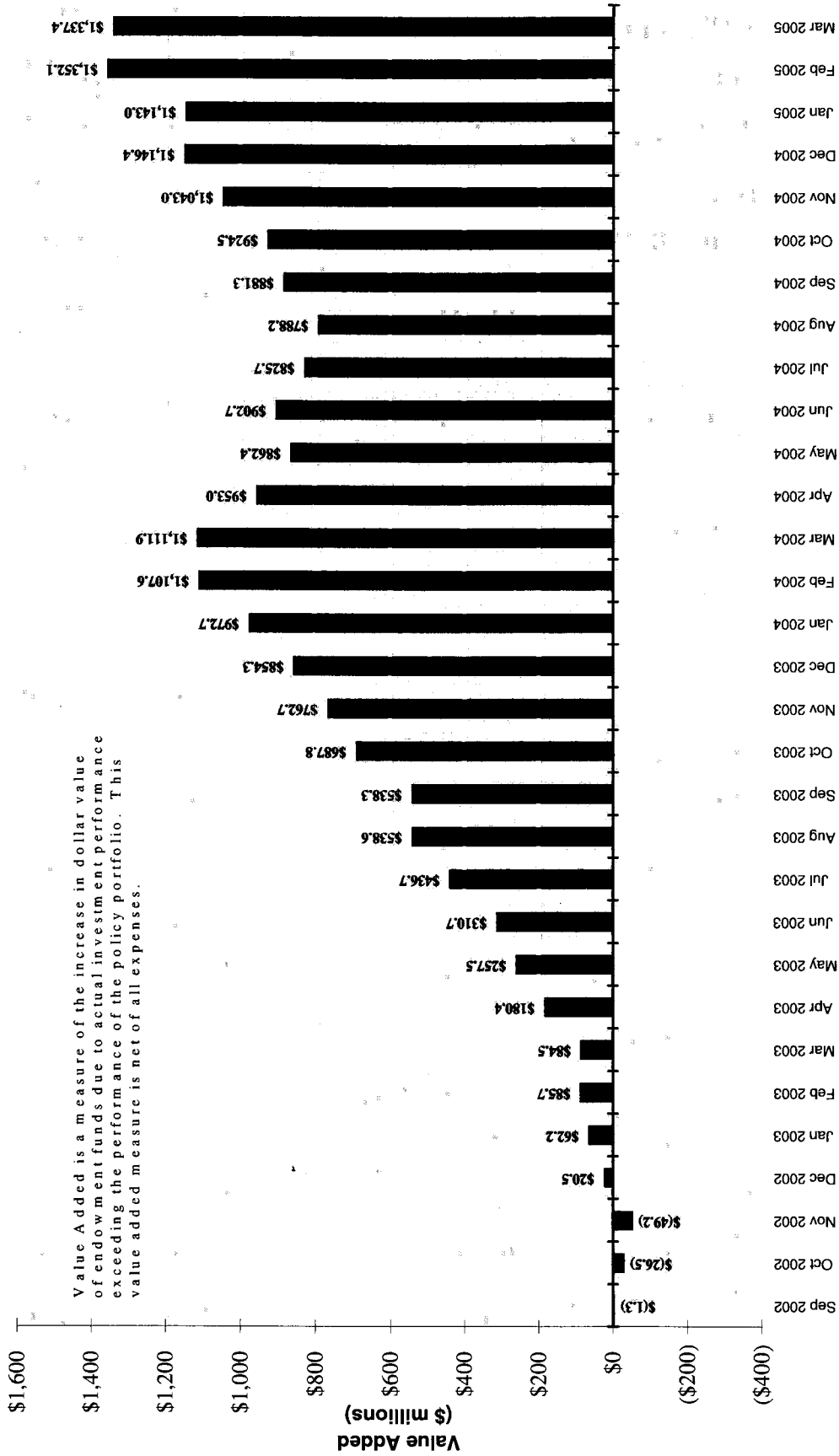
## Cumulative Value Added in Marketable Securities in Endowment Funds 2004-2005 Fiscal Year



# Cumulative Value Added In Non-Marketable Securities In Endowment Funds 2004-2005 Fiscal Year



**VALUE ADDED: ENDOWMENT FUNDS  
SINCE SEPTEMBER 1, 2002**



Value Added for Month Ended



**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		One Month Ended March 31, 2005		
	Neutral	Market Exposure	Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	1.0%	0.24%	0.22%	-0.02%
<b>U.S. Equities</b>	25.0%	25.2%	-1.57%	-1.52%	-0.01%
<b>Global Equities</b>	17.0%	20.3%	-2.75%	-2.52%	-0.04%
<b>Equity Hedge Funds</b>	10.0%	9.6%	0.58%	0.27%	-0.03%
<b>Absolute Return Hedge Funds</b>	15.0%	14.5%	0.49%	0.24%	-0.05%
<b>Commodities</b>	3.0%	5.4%	7.49%	6.17%	-0.09%
<b>Fixed Income</b>	15.0%	14.1%	-0.31%	-0.02%	-0.04%
<b>Total Marketable Securities</b>	85.0%	90.1%	-0.65%	-0.63%	-0.04%
<b>Private Capital</b>	15.0%	0.9%	0.33%	0.03%	-0.07%
<b>Total Fund</b>	100.0%	100.0%	-0.50% (2)	-0.57%	-0.07%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		March 31, 2005		
	Neutral	Market Exposure	Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	1.0%	0.57%	0.58%	-0.02%
<b>U.S. Equities</b>	25.0%	25.2%	-3.04%	-2.57%	-0.07%
<b>Global Equities</b>	17.0%	20.3%	0.25%	1.96%	-0.35%
<b>Equity Hedge Funds</b>	10.0%	9.6%	1.58%	1.96%	-0.02%
<b>Absolute Return Hedge Funds</b>	15.0%	14.5%	1.33%	1.89%	-0.06%
<b>Commodities</b>	3.0%	5.4%	21.71%	17.44%	-0.17%
<b>Fixed Income</b>	15.0%	14.1%	-0.43%	-0.04%	-0.06%
<b>Total Marketable Securities</b>	35.0%	30.1%	0.25%	1.07%	-0.75%
<b>Private Capital</b>	15.0%	9.9%	1.00%	8.44%	0.65%
<b>Total Fund</b>	100.0%	100.0%	0.36% (2)	1.76%	1.40%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



Permanent University Fund  
Performance Attribution

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		Fiscal Year to Date March 31, 2005		
	Asset Allocation	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	1.0%	1.18%	1.17%	-0.03%
U.S. Equities	25.0%	25.2%	9.31%	10.35%	0.38%
Global Equities	17.0%	20.3%	19.35%	18.29%	-0.17%
Equity Hedge Funds	10.0%	9.6%	3.56%	8.77%	0.53%
Absolute Return Hedge Funds	15.0%	14.5%	2.96%	9.72%	1.02%
Commodities	5.0%	5.4%	21.87%	19.41%	-0.10%
Fixed Income	15.0%	14.1%	1.29%	3.64%	0.38%
Total Marketable Securities	85.0%	90.1%	8.54%	11.32%	2.55%
Private Capital	15.0%	9.9%	3.77%	15.88%	1.40%
Total Fund	100.0%	100.0%	7.82% (2)	11.77%	3.95%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



Permanent University Fund  
Performance Attribution

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		Year Ended March 31, 2005		
	Neutral	Market Exposure	Benchmark	PUF	
Cash and Cash Equivalents	0.0%	1.0%	1.67%	1.65%	-0.09%
U.S. Equities	25.0%	25.2%	8.46%	8.16%	-0.17%
Global Equities	17.0%	20.3%	15.71%	11.25%	-0.77%
Equity Hedge Funds	10.0%	9.6%	5.80%	7.91%	-0.25%
Absolute Return Hedge Funds	15.0%	14.5%	4.75%	10.86%	-0.88%
Commodities	3.0%	5.4%	28.79%	19.12%	-0.16%
Fixed Income	15.0%	14.1%	1.72%	4.27%	-0.48%
Total Marketable Securities	85.0%	90.1%	8.60%	9.05%	-0.42%
Private Capital	15.0%	9.9%	11.95%	19.86%	-0.57%
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9.13% (2)</b>	<b>10.12%</b>	<b>-0.99%</b>

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.





**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		One Month Ended March 31, 2005		
	Neutral	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.8%	0.24%	0.22%	-0.00%
U.S. Equities	25.0%	24.8%	-1.57%	-1.52%	-0.01%
Global Equities	17.0%	20.4%	-2.75%	-2.57%	-0.05%
Equity Hedge Funds	10.0%	9.6%	0.58%	0.32%	-0.03%
Absolute Return Hedge Funds	15.0%	14.6%	0.49%	0.25%	-0.04%
Commodities	3.0%	5.4%	7.49%	6.23%	-0.09%
Fixed Income	15.0%	14.1%	-0.31%	-0.04%	-0.04%
Total Marketable Securities	85.0%	89.7%	-0.65%	-0.62%	-0.02%
Private Capital	15.0%	10.3%	0.33%	0.14%	-0.06%
Total Fund	100.0%	100.0%	-0.50% (2)	-0.54%	-0.04%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		Calendar Year to Date March 31, 2005		
	Neutral	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.8%	0.57%	0.58%	-0.00%
U.S. Equities	25.0%	24.8%	-3.04%	-2.58%	-0.07%
Global Equities	17.0%	20.4%	0.25%	1.95%	-0.34%
Equity Hedge Funds	10.0%	9.6%	1.58%	1.91%	-0.02%
Absolute Return Hedge Funds	15.0%	14.6%	1.33%	1.89%	-0.07%
Commodities	3.0%	5.4%	21.71%	17.57%	-0.20%
Fixed Income	15.0%	14.1%	-0.43%	-0.06%	-0.05%
Total Marketable Securities	85.0%	89.7%	0.25%	1.08%	-0.75%
Private Capital	15.0%	10.3%	1.00%	8.32%	-0.67%
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.36% (2)</b>	<b>1.78%</b>	<b>1.42%</b>

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		Fiscal Year to Date March 31, 2005		
	Neutral	Markets Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.8%	1.18%	1.17%	-0.06%
U.S. Equities	25.0%	24.8%	9.31%	10.38%	0.35%
Global Equities	17.0%	20.4%	19.35%	18.69%	-0.28%
Equity Hedge Funds	10.0%	9.6%	3.56%	8.78%	-0.54%
Absolute Return Hedge Funds	15.0%	14.6%	2.96%	9.84%	1.05%
Commodities	3.0%	5.4%	21.87%	19.52%	-0.09%
Fixed Income	15.0%	14.1%	1.29%	3.71%	-0.39%
Total Marketable Securities	85.0%	89.7%	8.54%	11.43%	-2.64%
Private Capital	15.0%	10.3%	3.77%	16.41%	1.15%
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7.82% (2)</b>	<b>11.93%</b>	<b>4.11%</b>

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



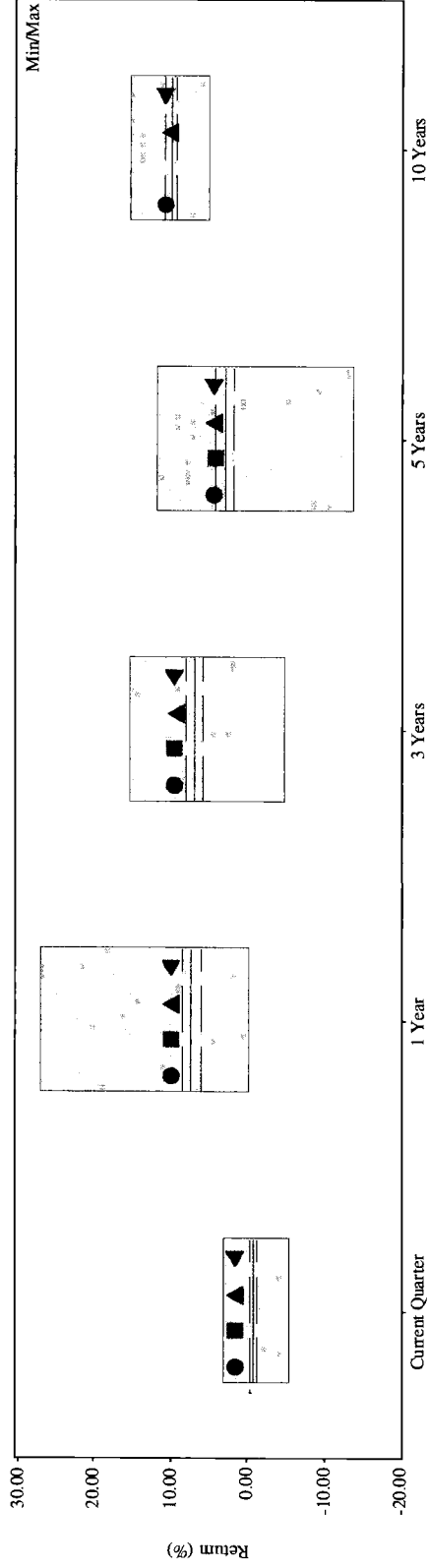
**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	March 31, 2005		Year Ended March 31, 2005		
	Neutral	Market Exposure	Benchmark	GEF	
Cash and Cash Equivalents	0.0%	0.8%	1.67%	1.65%	-0.12%
U.S. Equities	25.0%	24.8%	8.46%	8.10%	-0.20%
Global Equities	17.0%	20.4%	15.71%	11.62%	-0.68%
Equity Hedge Funds	10.0%	9.6%	5.80%	7.89%	0.23%
Absolute Return Hedge Funds	15.0%	14.6%	4.75%	10.99%	0.91%
Commodities	3.0%	5.4%	28.79%	19.43%	-0.16%
Fixed Income	15.0%	14.1%	1.72%	4.29%	0.49%
Total Marketable Securities	85.0%	89.7%	8.60%	9.13%	0.47%
Private Capital	15.0%	10.3%	11.95%	20.40%	0.63%
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9.13% (2)</b>	<b>10.23%</b>	<b>1.10%</b>

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**UTIMCO ENDOWMENTS FUNDS vs.  
ALL FUNDS UNIVERSE**  
**Periods Ended Thursday, March 31, 2005**



	Current Quarter	1 Year	3 Years	5 Years	10 Years
<b>Return</b>	3.12	26.98	15.46	11.84	15.50
<b>(% tile)</b>					
<b>Maximum</b>	3.12	26.98	15.46	11.84	15.50
<b>25th Percentile</b>	- 0.35	8.37	7.97	4.27	10.87
<b>Median</b>	- 0.91	7.22	6.88	3.01	9.93
<b>75th Percentile</b>	- 1.36	5.93	5.75	1.75	9.31
<b>Minimum</b>	- 5.15	0.12	- 4.53	- 13.45	5.23
<b># of Portfolios</b>	559	514	477	418	288
<b>UTIMCO LTF-Net of Fees</b>	1.75	10.16	9.64	4.66	10.99
<b>UTIMCO PHF-Net of Fees</b>	1.75	10.16	9.61	4.48	---
<b>UTIMCO PUF-Net of Fees</b>	1.76	10.12	9.51	4.60	10.30
<b>UTIMCO GEF-Net of Fees</b>	1.78	10.22	9.73	4.72	11.02
<b>(% tile)</b>					
<b>UTIMCO LTF-Net of Fees</b>	4	9	9	21	23
<b>UTIMCO PHF-Net of Fees</b>	4	9	9	23	---
<b>UTIMCO PUF-Net of Fees</b>	4	10	9	21	42
<b>UTIMCO GEF-Net of Fees</b>	3	8	8	20	22

Universe Source: (c) Russell/Mellon Analytical Services  
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The All Funds Universe consists of all corporate, foundation and endowment, and public plans of Russell/Mellon clients. The number of funds in this universe as of March 31, 2005 was 559.



**Public Markets Managers  
Investment Performance Detail Summary  
March 31, 2005**

**Key For Manager Status:**  
 Concern  
 Significant Concern; Watch List  
 Near Termination

**Key For Areas of Concern:**  
 1) Performance  
 2) Personnel Changes  
 3) Strategy Drift  
 4) Operational or Administrative Issues  
 5) No Longer FIT/UMCO Strategy

Area of Concern	Assets Under Management (\$ Millions)	Periods Ended March 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										Since Inception	Inception Date			
		One Month	Three Months	Six Months	To Date Fiscal Year	One Year	Three Years	Five Years	Seven Years	Ten Years						
<b>NET OF FEES PERFORMANCE:</b>																
<b>Public Equities:</b>																
<b>Domestic Equities:</b>																
<b>Passive Management:</b>																
BGI S&P 500 vs. S&P 500 Index	70.3	(1.75)	(2.12)	6.93	8.09	6.71	2.78	2.78	0.03	0.03	3.13	2.65	0.14	10.91	N/A	February 1993
BGI S&P 400 Midcap vs. S&P 400 Midcap Index	43.1	(1.11)	(0.40)	11.85	15.17	10.58	8.08	8.08	0.16	0.06	0.06	9.95	0.07	15.23	N/A	December 1992
S&P 100 Index Exchange Traded Funds vs. S&P 100 Index	74.2	(2.07)	(1.76)	7.19	6.64	(2.07)	1.11	1.11	-	-	-	-	-	6.64	6.64	August 2004
S&P 500 Index Futures vs. S&P 500 Index	274.9	(1.79)	(2.15)	6.88	8.04	6.67	1.72	1.72	(1.03)	-	-	-	-	(0.16)	(0.60)	March 2001
Large Cap Technology Exchange Traded Funds vs. Russell 3000	68.0	(0.02)	(5.79)	4.87	8.25	(0.03)	-	-	-	-	-	-	-	1.44	(6.34)	June 2004
Dow Jones - Exchange Traded Funds and Futures vs. Dow Jones Industrial Average	109.1	(2.44)	(1.85)	5.60	4.63	3.43	(0.15)	-	-	-	-	-	-	6.62	(0.66)	November 2003
Global 100 Index ETF vs. Russell 3000	32.2	(2.78)	(1.50)	9.70	11.99	10.14	10.14	10.14	4.73	4.73	4.73	4.73	4.73	1.72	(0.44)	November 2004
Small Cap Exchange Traded Funds and Futures vs. Russell 2000	66.4	(2.22)	(3.79)	10.89	15.52	10.89	10.89	10.89	10.14	10.14	10.14	10.14	10.14	9.51	9.51	February 2004
<b>Active Management:</b>																
BGI Russell 2000 Alpha Tilt vs. Russell 2000	195.5	(2.50)	(4.35)	9.12	14.50	6.21	9.16	9.16	0.80	0.80	0.80	0.80	0.80	13.97	13.97	February 2002
BGI Russell 3000 Alpha Tilt vs. Russell 3000	268.8	(1.28)	(1.12)	9.90	11.86	7.61	9.90	9.90	0.52	0.52	0.52	0.52	0.52	13.97	13.97	August 2003
Davis Hamilton Jackson vs. Russell Mid Cap Effective 8/04 (S&P 500 1994 - 7/04)	50.5	(1.96)	(1.83)	11.46	13.54	8.12	0.56	0.56	(3.51)	(3.51)	(3.51)	3.28	(0.42)	10.80	(2.01)	January 1994
GSAM - Large Cap vs. S&P 500 Index	149.5	(1.76)	(3.92)	4.91	7.41	2.99	3.15	3.15	0.33	0.33	0.33	2.16	(0.36)	6.08	6.08	April 1998
GSAM - Small Cap vs. Russell 2000	69.5	(2.08)	(3.60)	8.19	13.25	2.80	8.33	8.33	2.97	2.97	2.97	1.16	-	7.32	(0.39)	September 2004
John Levin & Co. vs. Russell 1000	148.3	(2.07)	(2.03)	7.32	7.32	7.32	7.32	7.32	1.70	1.70	1.70	1.70	1.70	3.27	(6.18)	November 1995
MBA Investments vs. S&P 500 Index	0.7	(0.49)	(0.12)	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	20.31	20.31	August 2004
Forstmann Leff - Mid Cap vs. Russell Mid Cap	113.5	(2.50)	(0.29)	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	15.71	11.59	11.59	January 1994
Forstmann Leff - Small Cap vs. Russell 2000	244.8	(2.26)	(0.55)	12.62	19.88	18.21	11.59	11.59	3.55	3.55	3.55	7.94	7.94	13.93	13.93	September 2004
Relational Investors vs. S&P 500 Index	151.4	(1.14)	(1.09)	10.31	10.31	10.31	10.31	10.31	10.31	10.31	10.31	10.31	10.31	10.31	10.31	September 2004
Ironbridge vs. Russell 2000	47.2	(6.66)	(15.06)	3.43	3.43	3.43	3.43	3.43	3.43	3.43	3.43	3.43	3.43	(9.89)	(7.35)	November 2004
State Street Research Hedge vs. Russell 2000	48.8	(1.91)	1.95	24.22	39.95	24.22	39.95	39.95	39.95	39.95	39.95	39.95	39.95	36.48	36.48	July 2004
State Street Research Small Cap vs. Russell 2000	42.1	(2.50)	13.28	27.72	43.62	27.72	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.32	43.32	June 2004



**Public Markets Managers  
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Assets Under Management (\$ Millions)	Periods Ended March 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										Since Inception	Inception Date
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<b>NET OF FEES PERFORMANCE (continued)</b>												
TCW MultiCap vs. Russell 2000	(1.47)	(3.61)	11.35	15.04	2.42	-	-	-	-	-	1.39	February 2004
TCW Mid Value vs. Russell Mid Cap	0.48	0.57	13.82	15.37	(4.67)	-	-	-	-	-	(4.79)	
TCW Small Value vs. Russell 2000	0.00	(0.63)	6.84	10.52	-	-	-	-	-	-	9.78	April 2004
Value Act Capital vs. Russell 2000	(2.23)	(3.74)	7.66	8.69	13.62	-	-	-	-	-	(8.61)	
Westport Small Cap Value vs. Russell 2000	3.06	(2.49)	0.20	(4.39)	8.21	-	-	-	-	-	2.27	April 2004
REITs: REITs - Greg Cox vs. Dow Jones Wilshire Real Estate Securities	(1.08)	(7.10)	10.29	11.30	16.91	21.80	21.97	11.99	17.32	15.02	15.02	April 1993
International Equities: Passive Management: BGI EAFE International Fund vs. MSCI EAFE Net	0.05	0.08	0.05	0.09	0.19	0.15	0.42	0.16	0.93	0.51	7.30	April 1993
BGI Emerging Markets Structured Fund vs. MSCI Emerging Markets with Net Dividends	(7.06)	(0.89)	18.86	26.10	16.68	19.84	-	-	-	-	20.51	February 2002
Active Management: BGI International Alpha Titls vs. MSCI EAFE Net	(2.20)	0.78	16.10	19.55	15.67	1.06	-	-	-	-	(0.05)	
Blakeney Management vs. MSCI Emerging Markets with Net Dividends	3.33	13.38	-	-	-	-	-	-	-	-	27.42	August 2003
Bridgewater Currency Overlay vs. MSCI EAFE Net	0.94	(1.59)	-	-	-	-	-	-	-	-	20.86	October 2004
Bridgewater Currency Overlay vs. MSCI EAFE Net	(0.28)	-	-	-	-	-	-	-	-	-	(0.16)	January 2005
Cundill Canada vs. S&P/TSX Capped Composite Index	(1.40)	-	-	-	-	-	-	-	-	-	(1.24)	January 2005
Cundill EAFE vs. MSCI EAFE Net	(1.45)	-	-	-	-	-	-	-	-	-	(8.69)	
Cundill Japan vs. Tokyo Stock Exchange 1st Sec Index USD	0.40	-	-	-	-	-	-	-	-	-	0.55	January 2005
International Futures and Exchange Traded Funds vs. MSCI EAFE Net	(1.36)	0.57	10.40	11.87	9.32	-	-	-	-	-	(1.15)	
Global 100 ex XLF vs. MSCI EAFE Net	(2.62)	(0.74)	(4.73)	(6.27)	(5.73)	-	-	-	-	-	3.23	January 2005
Globeflex vs. MSCI EAFE Net	(0.11)	-	-	-	-	-	-	-	-	-	2.55	November 2003
Globeflex vs. Citigroup Extended Market Index World ex U.S.	(1.01)	4.22	18.57	24.78	26.32	-	-	-	-	-	19.37	February 2005
Globeflex Canadian vs. Nasbitt Burns Small Cap Canada	(1.21)	7.91	28.40	43.04	32.30	-	-	-	-	-	(2.62)	October 2003
Globeflex Japan vs. Russell/Nonura Mid-Small Cap Index	0.97	3.29	13.81	11.92	8.36	-	-	-	-	-	36.73	March 2004
GSAM - Structured International Equity vs. MSCI EAFE Net	(4.07)	0.87	14.80	17.43	11.68	11.12	(2.02)	3.13	3.13	3.13	(0.13)	April 1998
	(1.56)	1.04	(0.33)	(0.70)	(3.37)	(0.52)	(0.87)	(0.13)	-	-	(0.13)	



Public Markets Managers  
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Areas of Concern	Assets Under Management (\$ Millions)	Periods Ended March 31, 2005 (Returns for Periods Longer Than One Year are Annualized)												Since Inception	Inception Date
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<b>NET OF FEES PERFORMANCE (continued)</b>															
	163.1	(4.84)	1.78	18.10	24.26	20.30	21.90	6.92	6.90					5.43	January 1996
Franklin Templeton vs. MSCI Emerging Markets with Net Dividends		(1.17)	(0.02)	(1.25)	(1.98)	0.68	1.96	2.65	1.16					13.37	November 2004
State Street Research Global vs. MSCI All Country World ex U.S. with Net Dividends	66.7	(2.38)	13.84	-	-	-	-	-	-	-	-	-	-	5.85	May 2004
International Liquidity vs. 90 Day Treasury Bills Average Yield	46.9	0.39	0.75	1.19	1.32	-	-	-	-	-	-	-	-	1.62	May 2004
		1.43	0.19	0.11	0.11	-	-	-	-	-	-	-	-	0.11	
<b>Hedge Funds:</b>															
Blue Ridge vs. 90 Day Treasury Bills Average Yield + 4%	188.3	(0.59)	6.82	6.16	9.23	16.35	-	-	-	-	-	-	-	16.02	January 2004
Brahman II vs. 90 Day Treasury Bills Average Yield + 4%	53.0	0.30	2.02	5.24	9.08	-	-	-	-	-	-	-	-	9.87	August 2004
Eminence vs. 90 Day Treasury Bills Average Yield + 4%	89.1	0.66	2.98	12.36	14.29	18.36	-	-	-	-	-	-	-	15.62	July 2003
Everglades vs. 90 Day Treasury Bills Average Yield + 4%	39.8	0.52	(0.52)	-	-	-	-	-	-	-	-	-	-	0.11	
Indus Asia Pacific vs. 90 Day Treasury Bills Average Yield + 4%	29.4	(1.37)	3.80	10.04	15.25	11.05	-	-	-	-	-	-	-	(0.52)	January 2005
Indus Japan vs. 90 Day Treasury Bills Average Yield + 4%	24.3	1.52	5.07	8.64	8.98	9.02	-	-	-	-	-	-	-	15.60	December 2003
Maverick Fund vs. 90 Day Treasury Bills Average Yield + 4%	555.9	1.55	1.28	8.42	9.31	7.83	6.80	10.09	-	-	-	-	-	11.64	August 1998
Millgate International vs. 90 Day Treasury Bills Average Yield + 4%	15.3	(1.38)	(2.14)	3.49	-	-	-	-	-	-	-	-	-	3.49	October 2004
OCM Emerging Markets Fund vs. 90 Day Treasury Bills Average Yield + 4%	85.8	(0.51)	1.83	2.91	3.02	4.46	7.68	-	-	-	-	-	-	8.84	January 2002
SG Partners vs. 90 Day Treasury Bills Average Yield + 4%	47.5	(2.61)	(6.72)	0.29	1.22	(9.63)	-	-	-	-	-	-	-	(3.21)	September 2003
Sirius Overseas vs. 90 Day Treasury Bills Average Yield + 4%	74.8	(1.44)	(0.16)	4.22	5.18	3.99	-	-	-	-	-	-	-	5.53	May 2003
Standard Pacific Capital Offshore Fund vs. 90 Day Treasury Bills Average Yield + 4%	52.5	(2.23)	(0.34)	3.77	6.35	5.71	-	-	-	-	-	-	-	0.01	
Steadfast vs. 90 Day Treasury Bills Average Yield + 4%	44.6	(0.74)	6.41	0.68	2.76	(0.09)	-	-	-	-	-	-	-	2.30	February 2003
AQR Offshore vs. 90 Day Treasury Bills Average Yield + 3%	40.1	(0.59)	3.51	4.43	4.08	(0.54)	-	-	-	-	-	-	-	0.23	March 2004
BGI Unequized Global Markets vs. 90 Day Treasury Bills Average Yield + 3%	260.9	0.57	1.27	2.46	3.19	-	-	-	-	-	-	-	-	4.88	May 2004
Bridgewater Pure Alpha vs. 90 Day Treasury Bills Average Yield + 3%	99.0	(0.66)	3.24	12.11	14.41	15.48	-	-	-	-	-	-	-	17.10	March 2004
Farallon Capital Offshore Investors vs. 90 Day Treasury Bills Average Yield + 3%	416.8	0.34	2.93	11.65	14.08	14.57	15.24	14.63	-	-	-	-	-	14.29	August 1998
Indus Event Driven vs. 90 Day Treasury Bills Average Yield + 3%	22.8	1.29	3.47	2.77	3.40	3.47	0.68	0.68	-	-	-	-	-	10.36	December 2003





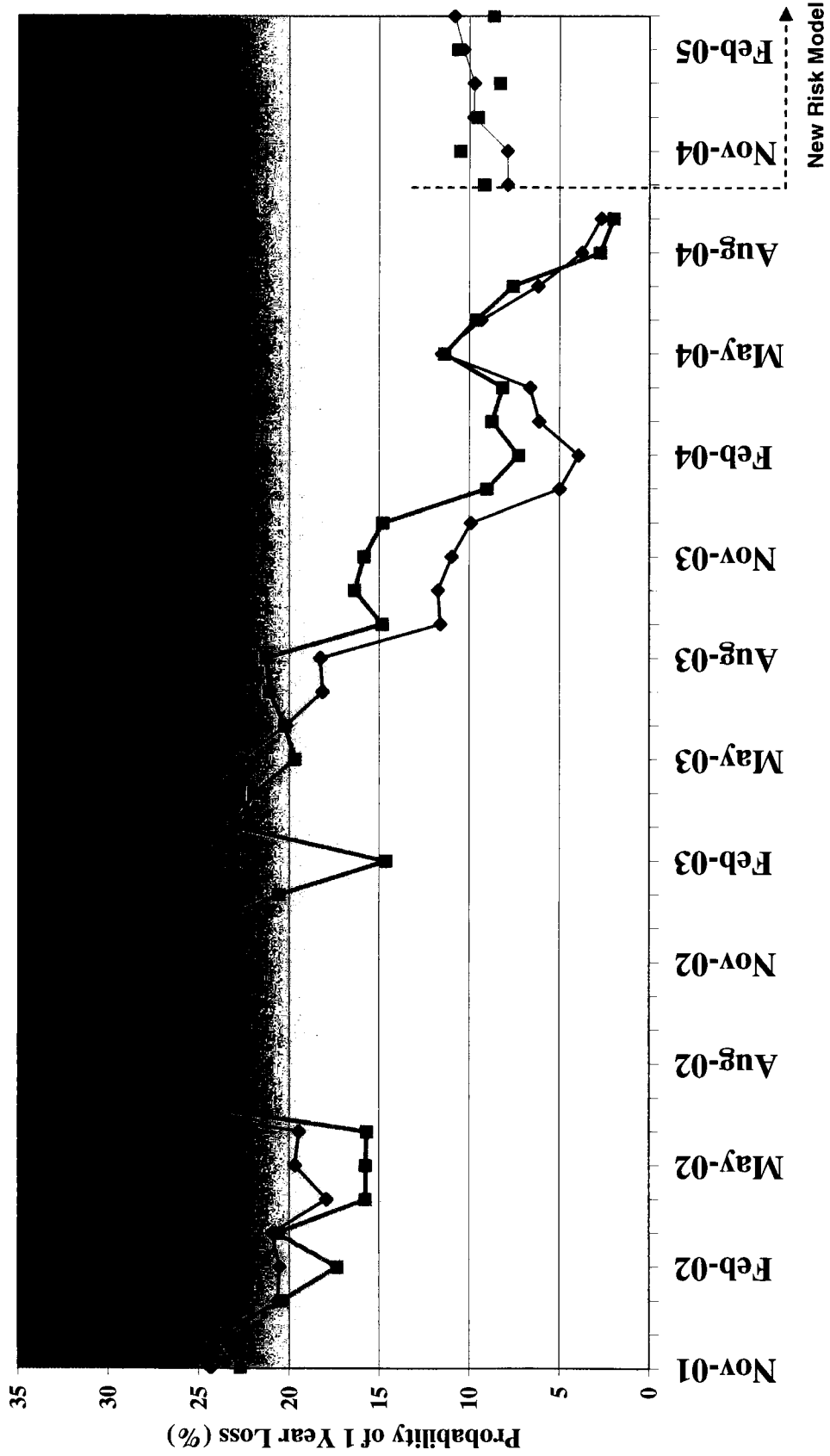
**Public Markets Managers  
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March 31, 2005**

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Areas of Concern	Periods Ended March 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										Since Inception	Inception Date	
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<b>NET OF FEES PERFORMANCE (continued)</b>													
K Capital	2.24	4.41	-	-	-	-	-	-	-	-	-	6.24	November 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(0.75)	(0.8)	-	-	-	-	-	-	-	-	-	(4.05)	
OZ Overseas Fund	0.55	2.60	7.68	8.57	-	-	-	-	-	-	-	9.48	August 2004
vs. 90 Day Treasury Bills Average Yield + 3%	0.05	1.22	3.10	5.00	-	-	-	-	-	-	-	5.11	
Perry Partners International	0.79	2.09	11.99	14.56	17.86	15.76	15.51	-	-	-	-	14.59	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%	(0.30)	(0.22)	3.42	11.00	15.11	11.22	9.60	-	-	-	-	5.11	
Protégé Partners Fund	(0.50)	1.08	4.80	5.65	4.93	-	-	-	-	-	-	10.57	February 2003
vs. 90 Day Treasury Bills Average Yield + 3%	(1.05)	(0.24)	1.22	2.68	0.18	-	-	-	-	-	-	6.11	
Satellite Fund	(0.50)	(0.02)	5.61	6.35	6.64	3.98	-	-	-	-	-	7.23	September 2000
vs. 90 Day Treasury Bills Average Yield + 3%	(1.05)	(1.34)	3.03	3.35	1.87	(0.58)	-	-	-	-	-	(0.61)	
TPG-Axon	(0.21)	-	-	-	-	-	-	-	-	-	-	(0.21)	February 2005
vs. 90 Day Treasury Bills Average Yield + 3%	(0.71)	-	-	-	-	-	-	-	-	-	-	(1.12)	
<b>Commodities:</b>													
Goldman Sachs Commodity Index	7.69	21.34	8.95	22.46	30.67	-	-	-	-	-	-	29.24	June 2002
vs. Goldman Sachs Commodity Index - 100 bps	(0.10)	(0.37)	0.62	0.50	0.88	-	-	-	-	-	-	0.4	
PIMCO Real Return	3.38	10.61	6.96	14.11	9.48	-	-	-	-	-	-	20.53	January 2004
vs. Dow Jones AVG + 1-10 Year TIPS	(0.25)	0.10	1.13	0.01	0.05	-	-	-	-	-	-	0.05	
<b>Fixed Income:</b>													
Internal - Harland Deak	(0.62)	(0.36)	0.81	1.27	1.19	5.68	-	-	-	-	-	6.18	February 2001
vs. Credit Related Composite Index	(0.50)	0.01	0.60	0.60	0.40	(1.68)	-	-	-	-	-	(0.87)	
Internal - Russ Kample	0.04	0.30	1.44	1.61	1.95	4.09	5.99	-	-	-	-	6.36	February 2000
vs. Lehman Brothers Aggregate Bond Index	(0.50)	0.75	0.97	0.80	0.80	(1.90)	(1.15)	-	-	-	-	(1.06)	
<b>Total Internally Managed Fixed Income</b>													
vs. Lehman Brothers Aggregate Bond Index	(0.20)	0.08	1.24	1.54	1.65	4.99	6.64	-	-	-	-	6.99	
GMO Emerging Debt Fund	(0.37)	(0.56)	0.77	0.80	0.50	(1.00)	(0.50)	-	-	-	-	(0.43)	
vs. JP Morgan Emerging Bond Index Global	(2.80)	(0.74)	6.77	9.52	-	-	-	-	-	-	-	20.91	May 2004
PIMCO Fixed Income	(0.25)	0.52	0.23	0.27	-	-	-	-	-	-	-	0.38	
vs. PIMCO Composite Benchmark	(0.22)	0.32	0.90	0.22	0.20	12.01	9.56	8.09	-	-	-	7.90	March 1998
<b>Treasury Inflation Protection Securities (TIPS):</b>													
Internal TIPS	0.05	(0.39)	2.05	2.32	-	-	-	-	-	-	-	5.40	July 2004
vs. Lehman Brothers US TIPS Index	(0.04)	(0.06)	(0.13)	(0.07)	-	-	-	-	-	-	-	(0.52)	
PIMCO TIPS	0.42	(0.16)	2.80	2.96	-	-	-	-	-	-	-	2.96	August 2004
vs. Lehman Brothers US TIPS Index	0.32	(0.17)	0.62	0.57	-	-	-	-	-	-	-	0.57	

# Relative Risk Analysis 1 Year Horizon



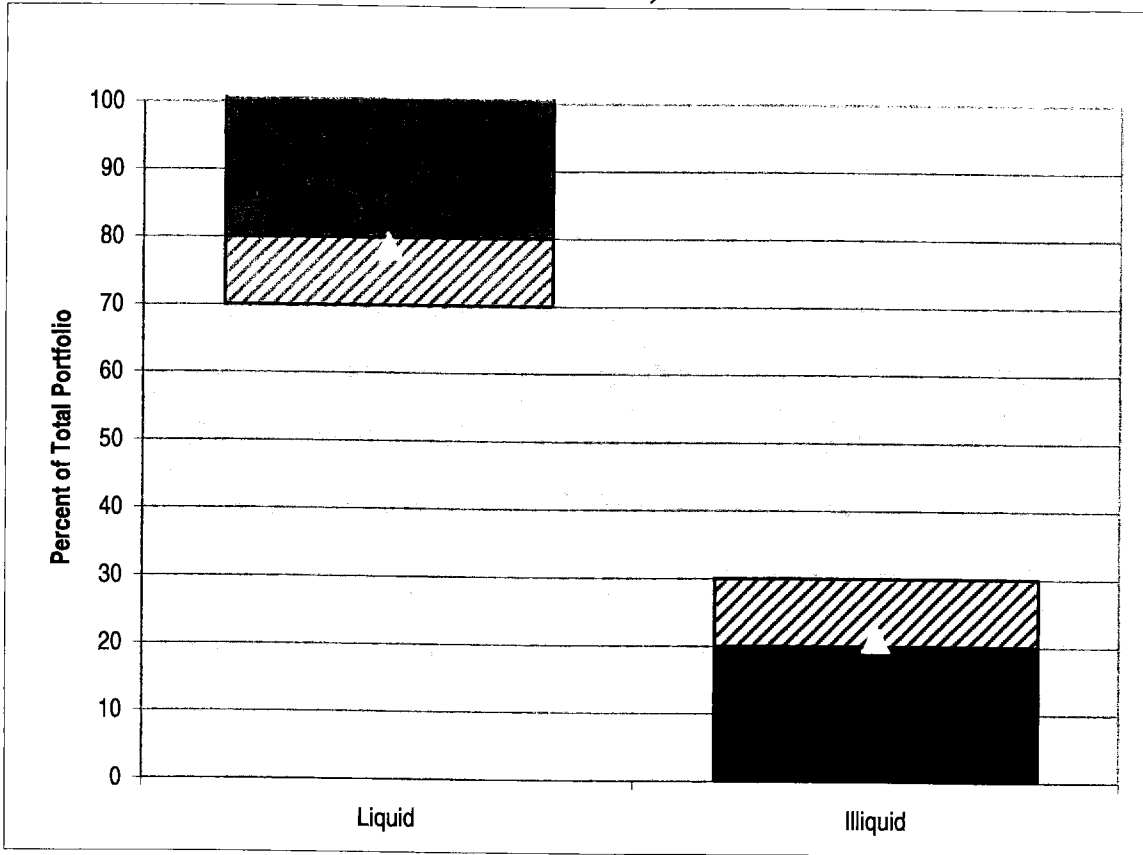
◆ Policy Portfolio (Risk View) —■ GEF Portfolio (Risk View)

New Risk Model

# LIQUIDITY PROFILE

# Combined Liquidity Profile

## March 31, 2005



Current:

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	10,755,098,719.42	78.7	10,797,646,783.18	78.7
Illiquid	2,908,635,946.24	21.3	2,931,006,780.52	21.3
	<u>13,663,734,665.66</u>	<u>100.0</u>	<u>13,728,653,563.70</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	10,620,098,719.42	77.7	10,777,646,783.18	78.5
Illiquid	3,043,635,946.24	22.3	2,951,006,780.52	21.5
	<u>13,663,734,665.66</u>	<u>100.0</u>	<u>13,728,653,563.70</u>	<u>100.0</u>

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

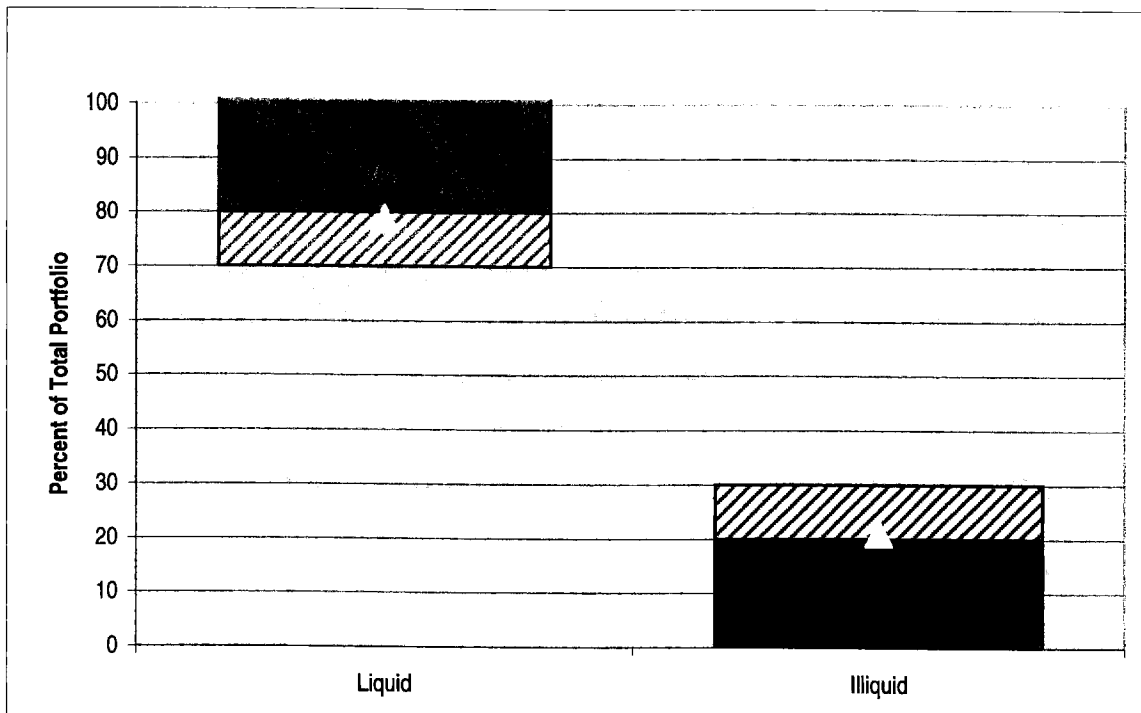
I, John V. Reed, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan Mella, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, David Herz, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

# PUF Liquidity Profile

## March 31, 2005



Current

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	7,020,985,595.65	78.9	7,072,749,890.87	78.8
Illiquid	1,882,703,492.21	21.1	1,898,965,216.23	21.2
	<u>8,903,689,087.86</u>	<u>100.0</u>	<u>8,971,715,107.10</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	6,932,885,595.65	77.9	7,059,349,890.87	78.7
Illiquid	1,970,803,492.21	22.1	1,912,365,216.23	21.3
	<u>8,903,689,087.86</u>	<u>100.0</u>	<u>8,971,715,107.10</u>	<u>100.0</u>

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

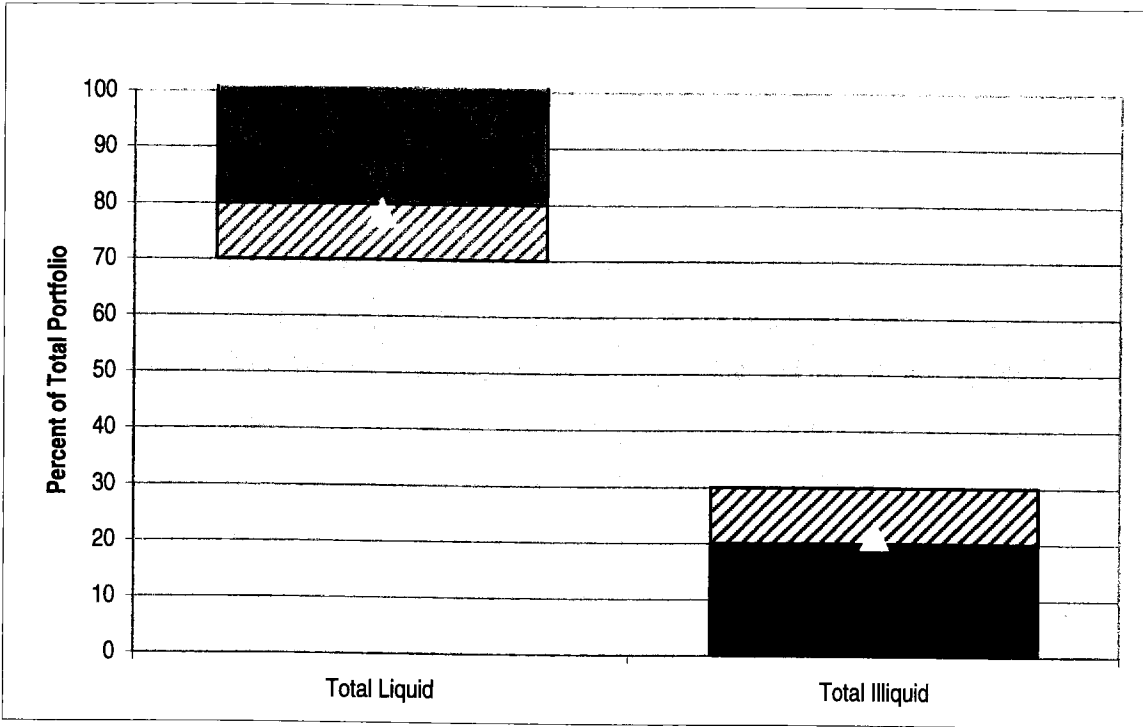
I, [Signature], as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, [Signature], as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, [Signature], as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

# GEF Liquidity Profile

## March 31, 2005



**Current**

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	3,734,113,123.77	78.4	3,724,896,892.31	78.3
Illiquid	1,025,932,454.03	21.6	1,032,041,564.29	21.7
	<u>4,760,045,577.80</u>	<u>100.0</u>	<u>4,756,938,456.60</u>	<u>100.0</u>

**Approved but not yet invested illiquid marketable investments:**

	3/31/2005		2/28/2005	
	Market Value	Percent	Market Value	Percent
Liquid	3,687,213,123.77	77.5	3,718,296,892.31	78.2
Illiquid	1,072,832,454.03	22.5	1,038,641,564.29	21.8
	<u>4,760,045,577.80</u>	<u>100.0</u>	<u>4,756,938,456.60</u>	<u>100.0</u>

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

I, [Signature], as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

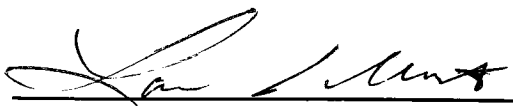
I, [Signature], as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, [Signature], as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

**Liquidity Profile for GEF and PUF**

**March 31, 2005**

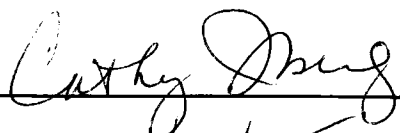
I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have for which I have responsibility.



Larry Goldsmith, Managing Director - Public Markets

4/28/05

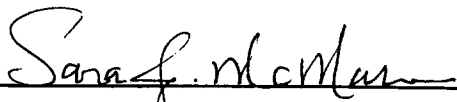
Date



Cathy Iberg, Managing Director - Marketable Alternatives

4/22/05

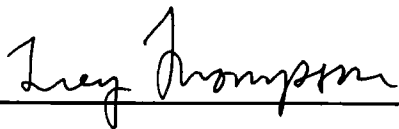
Date



Sara McMahon, Managing Director - Non-Marketable Alternatives

5/3/05

Date



Trey Thompson, Managing Director - Non-Marketable Alternatives

4-27-05

Date

**Illiquid investments approved/delegated or funded from last report to UTIMCO Board  
through current report date  
February 1, 2005 through March 31, 2005**

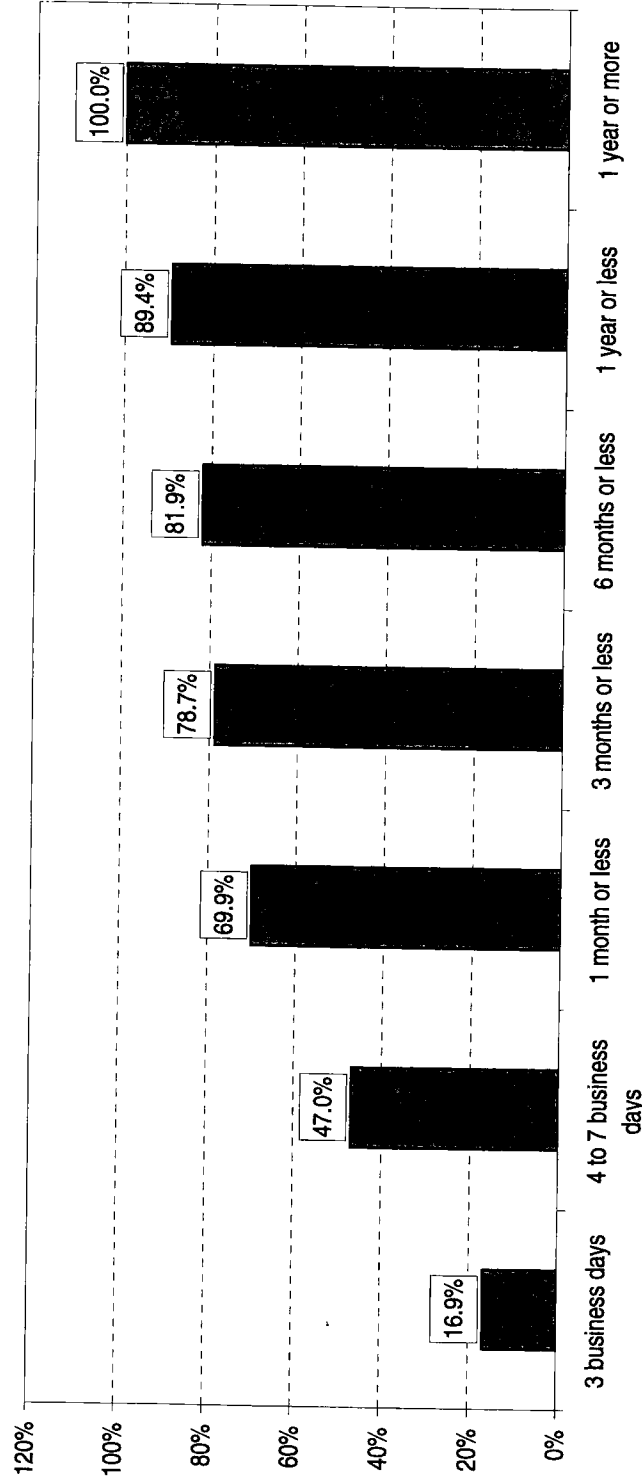
	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
<b>Private Equity investments</b>					
Carlyle Partners IV, L.P.	Dec 2004	\$ 28,000,000.00	\$ 12,000,000.00	\$ -	\$ -
OCM/GFI Power Opportunities Fund II	Feb 2005	\$ 21,000,000.00	\$ 9,000,000.00	\$ 1,472,255.34	\$ 630,966.58
<b>Marketable Alternative investments</b>					
Moon Capital	March 2005	\$ 52,000,000.00	\$ 28,000,000.00	\$ -	\$ -
OZ Europe	March 2005	\$ 3,200,000.00	\$ 1,800,000.00	\$ -	\$ -
<b>Public Markets</b>					
JMBO Fund	March 2005	\$ 19,500,000.00	\$ 10,500,000.00	\$ -	\$ -

**Change in investment's liquidity classification**

None

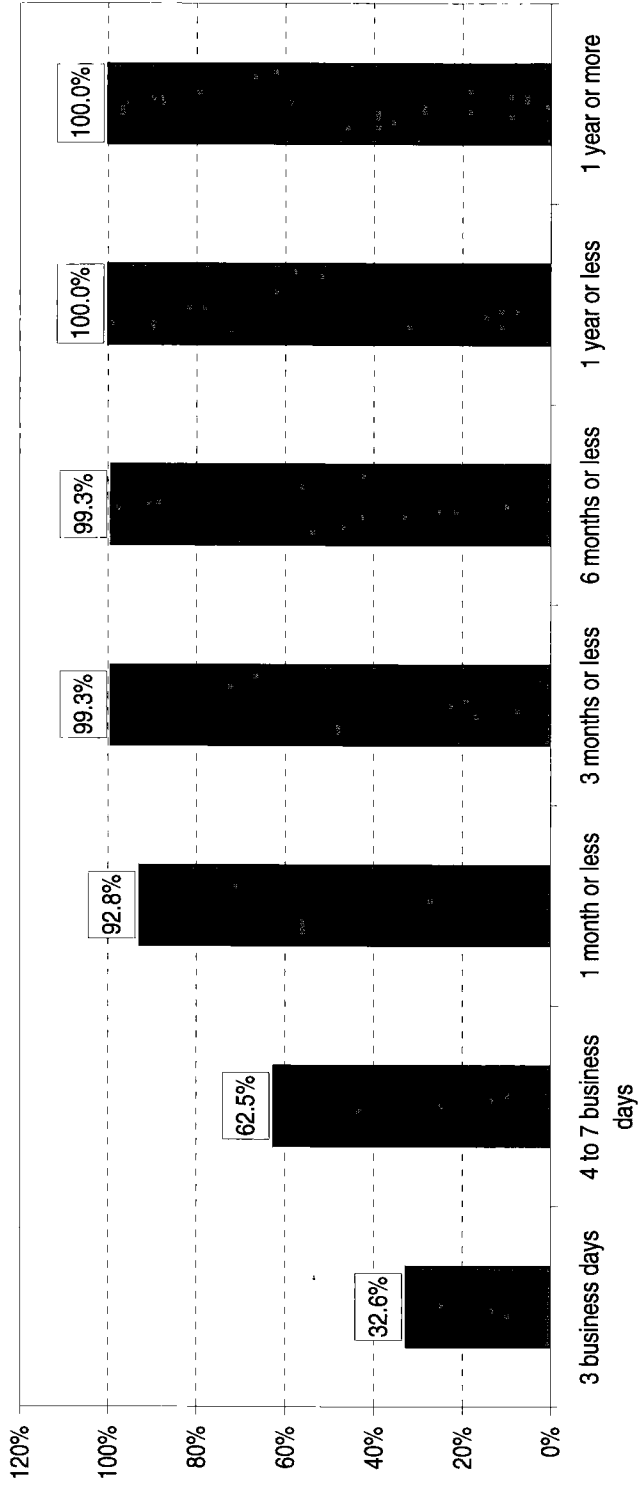


UT Endowments (PUF & GEF) Actual Liquidity Classification  
as of March 31, 2005



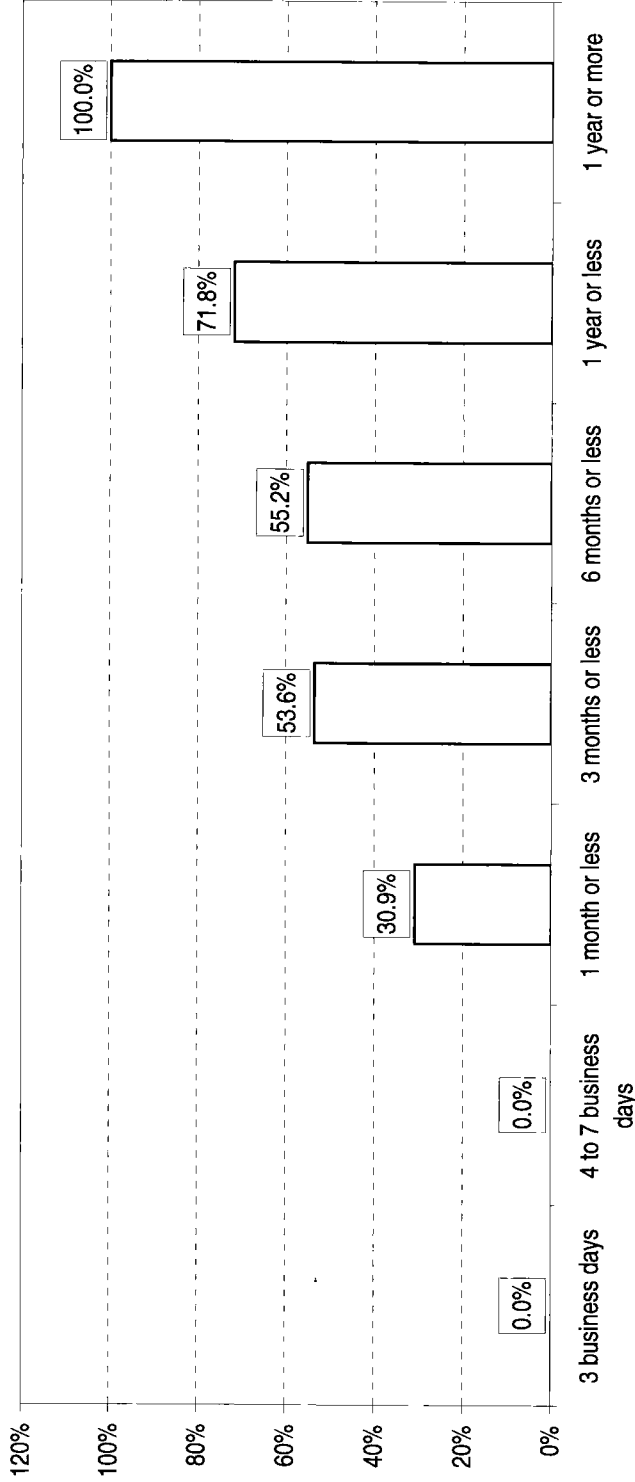
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,306,400,504	16.9%	2,306,400,504	16.9%
4 to 7 business days	4,109,701,117	30.1%	6,416,101,621	47.0%
1 month or less	3,141,493,131	23.0%	9,557,594,751	69.9%
3 months or less	1,197,503,968	8.8%	10,755,098,719	78.7%
6 months or less	439,968,954	3.2%	11,195,067,674	81.9%
1 year or less	1,015,644,130	7.4%	12,210,711,804	89.4%
1 year or more	1,453,022,862	10.6%	13,663,734,666	100.0%
Illiquid:				
6 months or less	439,968,954	3.2%	11,195,067,674	81.9%
1 year or less	1,015,644,130	7.4%	12,210,711,804	89.4%
1 year or more	1,453,022,862	10.6%	13,663,734,666	100.0%
<b>Total</b>	<b>13,663,734,666</b>	<b>100.0%</b>		

**Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification  
as of March 31, 2005**



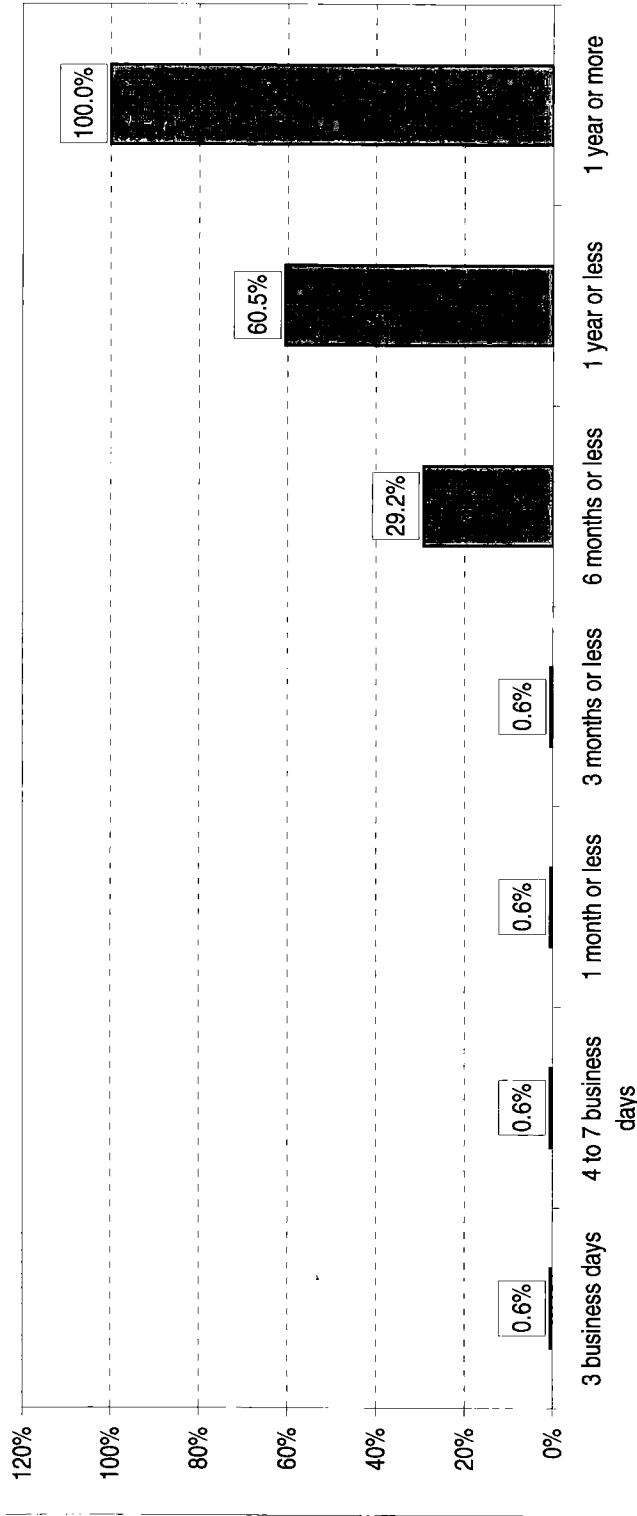
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,298,873,491	32.6%	2,298,873,491	32.6%
4 to 7 business days	2,104,850,760	29.9%	4,403,724,251	62.5%
1 month or less	2,133,364,536	30.3%	6,537,088,787	92.8%
3 months or less	456,139,224	6.5%	6,993,228,011	99.3%
6 months or less	0	0.0%	6,993,228,011	99.3%
1 year or less	48,776,299	0.7%	7,042,004,310	100.0%
1 year or more	0	0.0%	7,042,004,310	100.0%
	7,042,004,310	100.0%		
Illiquid:				

**Marketable Alternatives Actual Liquidity Classification**  
as of March 31, 2005



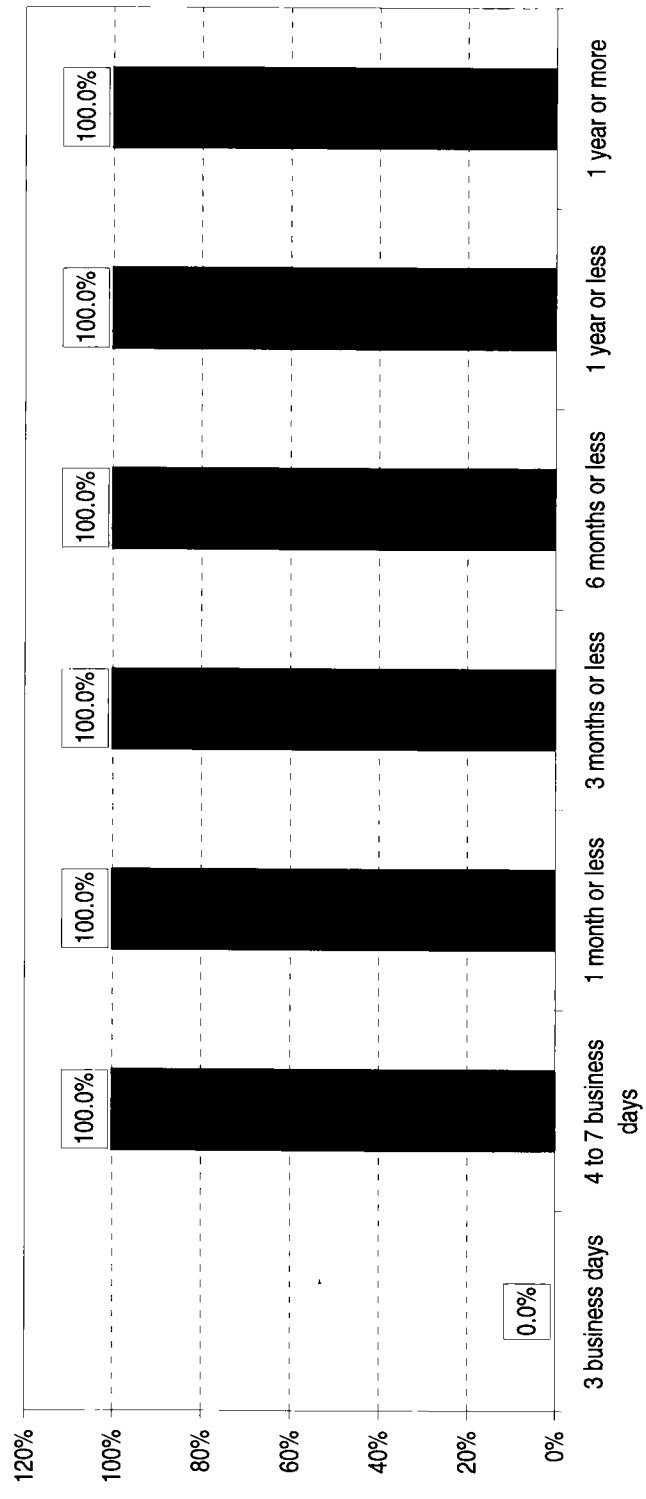
Classification Period	Assets	%	Cumulative Assets	%
<b>Liquid:</b>				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	0	0.0%	0	0.0%
1 month or less	1,008,128,594	30.9%	1,008,128,594	30.9%
3 months or less	741,364,744	22.7%	1,749,493,339	53.6%
6 months or less	52,965,642	1.6%	1,802,458,980	55.2%
1 year or less	543,721,044	16.6%	2,346,180,024	71.8%
1 year or more	919,486,616	28.2%	<u>3,265,666,640</u>	100.0%
	3,265,666,640	100.0%		
<b>Illiquid:</b>				

**Non-Marketable Alternatives Actual Liquidity Classification**  
as of March 31, 2005



	<u>Classification Period</u>	<u>Assets</u>	<u>%</u>	<u>Cumulative Assets</u>	<u>%</u>
Liquid:	3 business days	7,527,013	0.6%	7,527,013	0.6%
	4 to 7 business days	0	0.0%	7,527,013	0.6%
	1 month or less	0	0.0%	7,527,013	0.6%
	3 months or less	0	0.0%	7,527,013	0.6%
Illiquid:	6 months or less	387,003,312	28.6%	394,530,325	29.2%
	1 year or less	423,146,787	31.3%	817,677,112	60.5%
	1 year or more	533,536,246	39.5%	<u>1,351,213,359</u>	100.0%
		1,351,213,359	100.0%		

**Inflation Hedging Actual Liquidity Classification  
as of March 31, 2005**



<u>Classification Period</u>	<u>Assets</u>	<u>%</u>	<u>Cumulative Assets</u>	<u>%</u>
Liquid:				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	2,004,850,357	100.0%	2,004,850,357	100.0%
1 month or less	0	0.0%	2,004,850,357	100.0%
3 months or less	0	0.0%	2,004,850,357	100.0%
Illiquid:				
6 months or less	0	0.0%	2,004,850,357	100.0%
1 year or less	0	0.0%	2,004,850,357	100.0%
1 year or more	0	0.0%	2,004,850,357	100.0%
	2,004,850,357	100.0%		

# DERIVATIVES

**TOTAL INTERNAL DERIVATIVES (FUTURES, FORWARDS, ETFs and OPTIONS) BY TYPE as of April 30, 2005**

	<u>Gross Exposure</u>	<u>Net Exposure</u>	<u>Gross Exposure % of Endowment Funds</u>	<u>Comment</u>
S&P 500 Futures	1,068,426,625	1,068,426,625	7.97%	Large cap exposure
S&P 500 ETFs	4,867,866	4,867,866	0.04%	Large cap exposure
S&P 100 ETFs	72,564,516	72,564,516	0.54%	Concentrated large cap exposure
S&P 100 Global ETFs	89,857,207	89,857,207	0.67%	Concentrated global large cap exposure
Dow Jones Futures	96,055,740	96,055,740	0.72%	Large cap exposure (w/ minimal Financials)
MidCap 400 EMini Futures (Short)	(218,643,210)	(218,643,210)	1.63%	Reduce mid cap exposure
Russell 2000 Mini Index Futures (Short)	(669,777,700)	(669,777,700)	5.00%	Reduce small cap exposure
Russell 2000 ETFs	51,776,871	51,776,871	0.39%	Small cap exposure
NASDAQ 100 Index Futures	49,749,950	49,749,950	0.37%	Large cap technology exposure
NASDAQ ETFs	11,278,012	11,278,012	0.08%	Large cap technology exposure
Internet Architecture ETFs	10,220,368	10,220,368	0.08%	Large cap technology exposure
DJ Technology ETFs	21,427,692	21,427,692	0.16%	Large cap technology exposure
Pharmaceutical HOLDERS ETFs	15,054,900	15,054,900	0.11%	Large cap healthcare exposure
Energy Select ETFs	19,139,600	19,139,600	0.14%	Large cap energy exposure
MSCI EAFE ETFs	51,548,522	51,548,522	0.38%	EAFE exposure
Euro Stoxx Futures	85,029,971	85,029,971	0.63%	Eurozone large cap equity exposure
Euro currency Forwards	46,527,184	46,527,184	0.35%	Euro currency exposure
FTSE 100 Futures	172,114,153	172,114,153	1.28%	United Kingdom large cap equity exposure
British Pound Forwards	103,993,333	103,993,333	0.78%	British Pound currency exposure
TOPIX Index Futures	76,104,757	76,104,757	0.57%	Japanese large cap equity exposure
NIKKEI 225 Index Futures	48,516,230	48,516,230	0.36%	Japanese large cap equity exposure
Japanese Yen Forwards	155,459,132	155,459,132	1.16%	Japanese Yen currency exposure
S&P/TSX 60 INDEX Futures	57,162,867	57,162,867	0.43%	Canadian equity exposure
Canadian Dollar Forwards	27,055,405	27,055,405	0.20%	Canadian Dollar currency exposure
GSCI Futures	443,679,600	443,679,600	3.31%	Commodity exposure
Nikkei 225 - OTM put options (Short)	(25,000,000)	(25,000,000)	0.19%	Increase Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	(25,000,000)	(25,000,000)	0.19%	Reduce Japanese large cap equity exposure
Russell 2000 Options - OTM call options (Short)	(50,000,000)	(50,000,000)	0.37%	Reduce small cap exposure
Oil Service HOLDERS - OTM call options (Short)	(10,000,000)	(10,000,000)	0.07%	Reduce large cap oil service industry exposure
Oil Service HOLDERS - OTM put options (Short)	(10,000,000)	(10,000,000)	0.07%	Increase large cap oil service industry exposure
US Financial Sector - ATM call options (Short)	(3,056,000)	(3,056,000)	0.02%	US large cap financials exposure
GSCI Excess Return Index - OTM call options (Short)	(200,000,000)	(200,000,000)	1.49%	Reduce commodity exposure
Large Cap Tech Basket - ATM call spread	10,000,000	10,000,000	0.07%	US large cap technology exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,350,000,000	1,350,000,000	10.07%	Hedge Domestic Equity Portfolio exposure
<b>Total</b>	<b>5,349,087,408</b>	<b>2,926,133,588</b>	<b>39.90%</b>	
			Less than 50%	
			of Endowment	
			Funds	

<u>Exposure by Type</u>	<u>Gross Exposure</u>	<u>Net Exposure</u>	
ETFs	347,735,553	347,735,553	11.9%
Futures	2,985,260,803	1,208,418,983	41.3%
Forwards	333,035,053	333,035,053	11.4%
Options	1,683,056,000	1,036,944,000	35.4%
<b>Total</b>	<b>5,349,087,408</b>	<b>2,926,133,588</b>	<b>100.0%</b>

TOTAL INTERNAL DERIVATIVES (FUTURES, FORWARDS, ETFs and OPTIONS) BY TYPE as of April 30, 2005

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
<b>US EQUITY DERIVATIVES</b>				
1) Index Exposure				
S&P 500 Futures	226,486,750	226,486,750	1.69%	Large cap exposure
S&P 500 ETFs	4,867,866	4,867,866	0.04%	Large cap exposure
S&P 100 ETFs	72,564,516	72,564,516	0.54%	Concentrated large cap exposure
Dow Jones Futures	96,055,740	96,055,740	0.72%	Large cap exposure (w/ minimal Financials)
Russell 2000 ETFs	51,776,871	51,776,871	0.39%	Small cap exposure
NASDAQ 100 Index Futures	49,749,950	49,749,950	0.37%	Large cap technology exposure
NASDAQ ETFs	11,278,012	11,278,012	0.08%	Large cap technology exposure
GSCI Futures	443,679,600	443,679,600	3.31%	Commodity exposure
<b>Total Index Exposure</b>	<b>956,459,305</b>	<b>956,459,305</b>	<b>7.13%</b>	
2) Active Tilts				
S&P 100 Global ETFs	36,673,417	36,673,417	0.27%	Concentrated global large cap exposure
Internet Architecture ETFs	10,220,368	10,220,368	0.08%	Large cap technology exposure
Pharmaceutical HOLDERS ETFs	15,054,900	15,054,900	0.11%	Large cap healthcare exposure
Energy Select ETFs	19,139,600	19,139,600	0.14%	Large cap energy exposure
DJ Technology ETFs	21,427,692	21,427,692	0.16%	Large cap technology exposure
Large Cap Tech Basket - ATM call spread	10,000,000	10,000,000	0.07%	Large cap technology exposure
<b>Total Active Tilts</b>	<b>112,515,976</b>	<b>112,515,976</b>	<b>0.84%</b>	
3) Hedging / Risk Reduction				
S&P 500 Futures	841,939,875	841,939,875	6.28%	Increase large cap exposure <sup>1</sup>
MidCap 400 EMini Futures (Short)	(218,643,210)	(218,643,210)	1.63%	Reduce mid cap exposure <sup>1</sup>
Russell 2000 Mini Index Futures (Short)	(669,777,700)	(669,777,700)	5.00%	Reduce small cap exposure <sup>1</sup>
GSCI Excess Return Index - OTM call options (Short)	(50,000,000)	(50,000,000)	0.37%	Reduce small cap exposure
Oil Service HOLDERS - OTM call options (Short)	(200,000,000)	(200,000,000)	1.49%	Reduce commodity exposure
Oil Service HOLDERS - OTM put options (Short)	(10,000,000)	(10,000,000)	0.07%	Reduce large cap oil service industry exposure
Oil Service HOLDERS - OTM put options (Short)	(10,000,000)	(10,000,000)	0.07%	Increase large cap oil service industry exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,350,000,000	1,350,000,000	10.07%	Hedge Domestic Equity Portfolio exposure
<b>Total Hedging / Risk Reduction</b>	<b>3,350,360,785</b>	<b>1,033,516,965</b>	<b>24.99%</b>	
<b>TOTAL US DERIVATIVES</b>	<b>4,419,336,066</b>	<b>2,102,494,246</b>	<b>32.97%</b>	
<b>INTERNATIONAL EQUITY DERIVATIVES</b>				
1) Index Exposure				
MSCI EAFE ETFs	51,548,522	51,548,522	0.38%	EAFE exposure
<b>Total Index Exposure</b>	<b>51,548,522</b>	<b>51,548,522</b>	<b>0.38%</b>	
2) Active Tilts				
S&P 100 Global ETFs	53,183,790	53,183,790	0.40%	Concentrated global large cap exposure
US Financial Sector - ATM call options (Short)	(3,056,000)	(3,056,000)	0.02%	Reduce US large cap financials exposure
<b>Total Active Tilts</b>	<b>56,239,790</b>	<b>50,127,790</b>	<b>0.42%</b>	
3) Hedging / Risk Reduction - neutralizing country/region underweightings				
Nikkei 225 - OTM put options (Short)	(25,000,000)	(25,000,000)	0.19%	Increase Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	(25,000,000)	(25,000,000)	0.19%	Reduce Japanese large cap equity exposure
Euro Stoxx Futures	85,029,971	85,029,971	0.63%	Eurozone large cap equity exposure
Euro currency Forwards	46,527,184	46,527,184	0.35%	Euro currency exposure
FTSE 100 Futures	172,114,153	172,114,153	1.28%	United Kingdom large cap equity exposure
British Pound Forwards	103,993,333	76,104,757	0.78%	British Pound currency exposure
TOPIX Index Futures	76,104,757	76,104,757	0.57%	Japanese large cap equity exposure
NIKKEI 225 Index Futures	48,516,230	48,516,230	0.36%	Japanese large cap equity exposure
Japanese Yen Forwards	155,459,132	155,459,132	1.16%	Japanese Yen currency exposure
S&P/TSX 60 INDEX Futures	57,162,867	57,162,867	0.43%	Canadian equity exposure
Canadian Dollar Forwards	27,055,405	27,055,405	0.20%	Canadian Dollar currency exposure
<b>Total Hedging / Risk Reduction</b>	<b>821,963,031</b>	<b>721,963,031</b>	<b>6.13%</b>	
<b>TOTAL INTERNATIONAL DERIVATIVES</b>	<b>929,751,942</b>	<b>833,639,342</b>	<b>6.94%</b>	
<b>Total</b>	<b>5,349,087,408</b>	<b>2,926,133,588</b>	<b>39.90%</b>	Less than 50% of Endowment Funds

1) Components of the Spread Trade



**Agenda Item**  
UTIMCO Board Meeting  
May 19, 2005

- Agenda Item:** Notification of existing UTIMCO contracts, leases and other commercial arrangements
- Developed by:** Moeller
- Presented by:** Moeller
- Type of Item:** Information item
- Description:** Per the Delegation of Authority, the UTIMCO Board delegates to the UTIMCO CEO the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial agreements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less during the contract term, provided that notice of any such contracts, leases or other commercial arrangements be promptly reported to the UTIMCO Board.
- Recommendation:** None
- Discussion:** Staff has prepared this report to update the UTIMCO Board on existing contracts, leases and other commercial arrangements. When the Delegation of Authority was amended in November, 2004, the provision concerning contracts was changed and a requirement to report these arrangements was included. This report was prepared to inform the Board of existing agreements and going forward, quarterly reports will be prepared to update the Board on contract and other agreement renewals as well as any new contracts, leases and other commercial arrangements.
- This report does not cover investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors.
- Reference:** Report on UTIMCO contracts, leases and other commercial arrangements for a total obligation of \$1 million or less during the agreement term.

**Report on  
Existing Contracts, Leases, and Other Commercial Arrangements  
(Total Obligation per Agreement less than \$1 million)**

Agreement	Purpose	Contract Term	Annual Amount
Standard & Poor's	Rating agency for the SITF	Agreement continues until cancelled by either party	\$22,000
Factset Research Systems	Analytical tool for performance	6/1/2004 to 6/1/2005 Will be Renewed	\$205,650
Standard & Poor's (Compustat)	Provide information for Factset	Renews annually via invoice	\$27,420
Thompson Financial (Worldscope)	Provide information for Factset	Renews quarterly via invoice	\$27,000
MSCI	Provide information for Factset	Renews annually via invoice	\$29,500
Global Portfolio Solutions	IFS Risk System	10/1/2004 to 9/30/2005	\$250,000
Burgiss Group	Portfolio management system for Nonmarketables	Renews every 5 years; next expiration Apr 2007	\$12,778
Credit Sights	Provide independent qualitative and quantitative credit research for corporate bond investing	9/1/2004 to 9/1/2005 5/15/2005 to 5/15/2006	\$50,000 \$14,000
Investment Technology	Asset Allocation Program	8/12/2004 to 8/11/2005	\$8,000
Investor Force	Hedge Fund Database (Altvest)	1/31/2005 to 1/31/2006	\$6,500
Lowry on Demand	Technical analysis of equity market flows	9/4/2004 to 9/4/2005	\$12,000
Tremont TASS	Hedge Fund Database and Capital Flows Report	4/04 to 3/05 Will be Renewed	\$395
Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$197,020
Style Advisor	Evaluates and compares a manager, combination of managers, or an index's return versus another in terms of style and size bias	Renews annually by invoice 5/20/05-5/19/06	\$20,000

American Stock exchange	Used to access stock prices and related news	Monthly invoice	\$1,812
Dow Jones News Service	Used to access current new on stocks and related investments	Monthly invoice	\$10,620
New York Stock Exchange	Used to access stock prices and related news	Monthly invoice	\$2,865
Options Pricing Report	Used to access option prices and related news	Quarterly invoice	\$1,161
Thomson Venture Economics	Venture capital and private equity benchmarks and other industry data	Monthly invoice	\$18,000
Trade Web	Primary quotation and trading system for U.S. Treasury, Agency, Mortgage and Corporate debt securities	Monthly invoice	\$18,600
Market Axess	Competitive quotation and trading system for corporate securities	Monthly invoice	\$1,800
Bourse de Montreal	Real time quotations of Canadian equity futures	Monthly invoice	\$1,513

TAB 7

**Agenda Item**  
UTIMCO Board of Directors Meeting  
May 19, 2005

- Agenda Item:** Consideration of Name Change of Liquidity Committee to Risk Committee and amendments to Charter of Liquidity Committee related to additional responsibilities
- Developed By:** Boldt, Moeller
- Presented By:** Boldt
- Type of Item:** Action item; UTIMCO Board approval required
- Description:** The Charter of the Liquidity Committee sets forth the primary purpose of the Committee which is to provide oversight and monitor the liquidity of the PUF and GEF in accordance with the Corporation's Liquidity Policy. A name change is being proposed for the Committee to reflect additional proposed duties and responsibilities delegated to the Committee by the UTIMCO Board as outlined in the amended Charter. The proposed amended Charter incorporates the name change and additional duties and responsibilities.
- Recommendation:** Staff recommends that the UTIMCO Board adopt the name change of the Committee and amendments to the Charter.
- Discussion:** The Charter of the Risk Committee is enhanced to add duties and responsibilities related to oversight and monitoring of investment risk management. The Committee's duties are in investment risk management only and are not intended to duplicate the enterprise risk management duties of the Audit and Ethics Committee. The duties and responsibilities are as follows:
- The Committee will monitor actual risk levels in the PUF and GEF to assess whether current risk levels are within the bounds established by the Asset Allocation Policy adopted by the UT Board of Regents;
  - The Committee will monitor trends and changes in actual risk levels in the PUF and GEF and report any significant changes to the UTIMCO Board; and
  - The Committee will monitor the investment risk models, tools, and procedures used by the UTIMCO staff for completeness and efficacy.
- The members of the Committee will remain the same and are as follows:  
H. Scott Caven, Chair  
J. Philip Ferguson  
Woody L. Hunt
- Reference:** Charter of the Risk Committee

RESOLUTION REGARDING NAME CHANGE OF LIQUIDITY  
COMMITTEE AND  
CHARTER OF THE RISK COMMITTEE

RESOLVED, that the Liquidity Committee be renamed the Risk Committee;

AND FURTHER RESOLVED, that the Charter of the Liquidity Committee be amended and renamed the Charter of the Risk Committee, and is hereby, approved in the form submitted to the Board.

# The University of Texas Investment Management Company

## Charter of the ~~Liquidity~~ Risk Committee

### Background

The Board of Directors (the “Board”) of The University of Texas Investment Management Company (the “Corporation”) established a Liquidity Committee (the “Committee”) on November 20, 2003. The name of the Liquidity Committee was changed to the Risk Committee (the “Committee”) on May 19, 2005 to reflect the expanded responsibilities of the Committee. This Charter, originally adopted by the Board on April 8, 2004, and revised on September 29, 2004 and May 19, 2005, sets forth the responsibilities of the Committee.

### Purpose

The primary purpose of the Committee is to provide oversight and monitor 1) liquidity of the Permanent University Fund (PUF) and the General Endowment Fund (GEF) policy portfolio in accordance with the Corporation’s Liquidity Policy, originally approved by the Board on June 26, 2003, and originally effective August 7, 2003; and 2) investment risk management in the PUF and GEF. ~~The Board has adopted a Liquidity Policy to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and the General Endowment Fund (GEF). Liquidity is defined as a measure of the ability of an investment position to be converted into a cash position.~~

### Composition

The Committee shall be composed of at least three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. A member may be removed with or without cause at any time by a majority vote of the Board. Only members of the Board are eligible to serve on the Committee.

### Meetings; Quorum; Etc.

The Corporation’s Bylaws state that any committee created by the Board, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of the Committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of the Committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the

members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the Committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of the Committee, who may replace any absent or disqualified member of the Committee. In the absence or disqualification of a member of the Committee, the member or members present at any meeting of the Committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## **Duties and Responsibilities**

Investment Risk Management: The Board has delegated the following duties and responsibilities to the Committee related to the oversight and monitoring of investment risk:

- The Committee will monitor actual risk levels in the PUF and GEF to assess whether current risk levels are within the bounds established by the Asset Allocation Policy adopted by the UT Board of Regents;
- The Committee will monitor trends and changes in actual risk levels in the PUF and GEF and report any significant changes to the Board; and
- The Committee will monitor the investment risk models, tools, and procedures used by Corporation staff for completeness and efficacy.

The Committee's duties are in investment risk management only and are not intended to duplicate the enterprise risk management duties of the Audit and Ethics Committee.

Liquidity: The UTIMCO Board has delegated the following duties and responsibilities to the ~~Liquidity~~ Committee related to the oversight and monitoring of liquidity:

- The Committee must review and recommend for consideration to the ~~UTIMCO~~ Board any new investment that would cause the allocation for illiquid investments in either the PUF or GEF to exceed the lower illiquidity limit specified in the Liquidity Policy for the respective Funds' total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed changes in allocations among existing investments that would cause the allocation for illiquid investments in either the PUF or GEF to exceed the lower illiquidity limit specified in the liquidity policy for the respective funds total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that would



increase the actual investment position in illiquid investments in either the PUF or GEF by 10% or more of a Fund's total asset value.

- In the event that market actions cause actual investment positions in illiquid investments to exceed the upper illiquidity limit established by the Liquidity Policy or to move into the "trigger zone" defined as the allocation range between the lower and upper illiquidity limits established by the Liquidity Policy, the Committee must review and approve the Chief Investment Officer's proposed remedy or strategy for complying with the required allocation range for liquid and illiquid investments before any such actions are taken.
- The Committee must approve the use of swaps, derivatives, or other third party arrangements to alter the liquidity status of any investment classified as illiquid.

Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the ~~UTMCO~~ Board for the approval of new investments.

TAB 8

## **RESOLUTION RELATED TO ASSET ALLOCATION**

RESOLVED, that the Policy Portfolio Targets, Ranges and Benchmarks, be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

PLEASE REVIEW  
ATTACHMENTS PROVIDED  
AND INFORMATION IN  
ASSET ALLOCATION REVIEW 2005 NOTEBOOK